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ELECTRIC POWER EXPANSION IN MALAYA

British and Malayan electrical engineers in Malaya are planning for a rise in demand from 240,000 KW this year to 1,270,000 KW by 1960. Working on past records and the present rate of expansion of both industrial and domestic uses of electricity, the experts believe that this is a fair picture of what may be expected even without an effort to develop the industrial potential of the Federation of Malaya. The demand is expected to grow despite a probable decline in the needs of the tin mining industry, the biggest consumer of electrical power. It will mean the planning and construction of up to six large power stations and a developing program of expansion in the smaller towns and on the East Coast as they begin to demand the amenities which electricity can bring.

The Federation of Malaya, with six million people at present but rapidly increasing every year, will continue to develop on the west coast where most of the industrialisation and mining is concentrated. Hydro stations will probably have utilised all the available water power by 1980 and plans envisage steam power stations taking most of the load. Atomic power stations might be introduced in perhaps 15 years' time. The rapid progress made recently has convinced U.K. experts that in the measurable future atomic power may be worthwhile in this country.

To the electrical engineer the Federation is split by a main range which divides the developed west coast with its tin mines, rubber estates, large towns and industries, from the largely agricultural East Coast where there is as yet little sign of industrial or mineral development. Malaya was among the first South-East Asian countries to invest in a public electricity supply. Penang had electric street lighting by 1904. There was a steady development until the outbreak of the Japanese war when the total generating capacity was 175,000 KW. Much of the

plant was destroyed during the Japanese occupation. In the years that followed, as the tin mining industry got back onto its feet in remarkably quick time, the demand for power stretched the stations to the limit. The Korean war boom brought a big rise in demand as increased prosperity was translated into refrigerators, air conditioners and electrical appliances in homes. Most of the machinery in Central Malaya was long past breaking point when the first of the new steam stations at Connaught Bridge, 30 miles from Kuala Lumpur, was brought into being and added another 40,000 KW. This was quickly taken up and a further 40,000 KW is now available with the completion of the second half of the station. Even this extra power will soon have been absorbed.

Careful planning can prevent the crisis, black-outs and compulsory measures that had to be taken to share out the power during the Korean war. But the demand for power is now doubling about every seven years and there is little time for the engineers to sit back. Tin mining is the only field in which there is not likely to be a large growth. Prospecting has been difficult because of the eight-year-old terrorist war and miners are not able to get all the land they would like. For some years there is not likely to be any increase in production until the miners have been able to open up new land. In addition, in the event of the price falling sharply, there is tin restriction under the International Tin Agreement which would drastically reduce output. At present the miners need about 90,000 KW but tin restriction could cut this to 70,000 KW and the demand might drop even lower.

Whatever happens in the tin mines, the engineers will have to find another 150,000 KW within the next seven years. A good proportion of this will come from the Cameron Highlands, a beauty spot and a hill resort, which also gives a produc-

tively long drop to a large quantity of water. Prospecting was started on the site in 1950 but the death of a British surveyor, who was shot by Communist terrorists who were operating at that time in large gangs in the area, and the danger of supplies falling into Communist hands, brought an abrupt end. A year ago investigations were begun again and have now reached an advanced stage. The scheme is planned to go forward in phases meeting the demand for power as it develops in Central Malaya. There is also plentiful supply of water power which could be used on the undeveloped East Coast by hydro stations but the need for these seems a long way off at the moment. They represent, however, a readily tappable source of energy should valuable minerals be found or should it be convenient to start factories in the area which is in need of long-term development. For the moment, the expanding domestic demand is expected to be met by the installation of more diesel stations on the East Coast.

Over the next 24 years, according to tentative calculations, Malaya (and this does not include Singapore) will have to spend HK\$1,500 million on generating stations alone, a figure which does not take into account the money that will have to be found for improving transmission and distribution systems. By 1980, it is expected that Malaya will then have the skeleton of a supergrid system, operating at 22,000 volts, extending from Singapore in the south to Penang and fed by steam, hydro and possibly atomic stations. In South Malaya, it is planned that the grid should be supplied through

two Singapore stations of 150 MW and 300 MW and a station at Johore Bahru of 200 MW. Along the coast there will be two 40 MW and a 20 MW station near Seremban. Central Malaya will also take power from a chain of small hydro stations in the hills expected to produce a total of about 30 MW. In the Cameron Highlands, in North Malaya, there will be the 180 KW hydro station and three steam stations totalling 530 MW. Penang will have two stations feeding 60 MW into the grid and the remainder of North Malaya will be supplied by a new 40 MW station, a smaller hydro station and other units.

The new feature in the Malayan electrical power position is the use, sooner than expected, of nuclear power stations. They could be of considerable use in a country such as Malaya where there is no local production of oil and the small amount of coal that is produced is of poor quality. The hydro-electric stations will still be needed and no thought has been given to scrapping plans for them, but atomic stations may change the whole field of electrical development. The chairman of the Central Electricity Board, Mr. J. Sharples, is of the opinion, after returning from Britain where he had studied nuclear electrical power, that it seemed likely that Malaya would be able to use these stations economically in 15 years' time. There will be need to plan now for the training of engineers who could maintain these stations. For the moment, electrical engineers are however concerned with the outlook for the next five years.

A COMMON MARKET BETWEEN THE COMMONWEALTH, CONTINENTAL EUROPE AND THE UNITED STATES

By Paul de Hevesy

According to figures issued by the Food and Agriculture Organization, the food production of the world during the last two years has increased more than its population. This momentous fact, which must confound the gloomy prophets of universal starvation, should be made known as widely as possible. The same story is told by the stocks of wheat that for the last few years have been steadily mounting in the United States and Canada. There are enormous unsold world surpluses also of meat, bacon, rice, barley, oats, rye, beans, butter, coffee, cocoa, dried milk, cheese, and certain edible oils. Surplus stocks of sugar are also mounting. World supplies of grain (excluding Russia and China) have reached a record figure in 1956-57. No redundant stocks would have accumulated if the "planning" by various governments had not interfered with free and open markets and had not maintained arbitrary prices.

It should be readily acknowledged that stocks of all these foodstuffs remain unsold only because there are not enough people who can afford to buy them at their present prices. If these prices could be reduced, much of the accumulated stocks would be rapidly sold.

The immense progress lately achieved in the productive capacity of agricultural and industry will undoubtedly bring about in the near future a still greater abundance of both foodstuffs and manufactured goods. This situation will demand an urgent and satisfactory solution of the whole problem of distribution. It is therefore the more regrettable that the Governments of the United Kingdom and some other members of the British Commonwealth intend to exclude agricultural products from the Free Trade Area to be established in completion of the European Common Market.

I submit in all humility that this exclusion is a cardinal error. I would even suggest that a common market covering all goods, agricultural and industrial, should, if possible, be established between the United States, the British Commonwealth, and Continental Europe. Later other countries could be invited to join this economic union. Throughout these vast territories all goods should then be permitted to move without hindrance and prices should be determined by free and fair competition according to the inexorable law of supply and demand.

This policy, under which high-cost and inefficient producers would be gradually eliminated, would in due course produce an economy in which the prices of all goods would form one organic system and like goods would have like prices—the lowest possible ones. These prices would achieve a measure of stability. In fact, there is no better stabilizer of prices than large-scale free trade, because neither the total supply nor the total demand in single commodities is likely to undergo violent fluctuations in the short run. It is evident that, the smaller the territory of free trade, the larger the short-term fluctuations in prices; the larger the territory of free trade, the smaller the short-term fluctuations in prices. Fluctuations in prices diminish also when, as under free trade, interference at the hands of economic nationalism diminishes. A free market permits continuous adjustments in the prices of primary products. This conduces to smooth and gradual changes. On the other hand, Governments can, and do, take sudden decisions, which profoundly affect the industries that make use of these products.

Trade within the vast common market here anticipated would be effectually promoted by the adoption of a common British-American currency and by the granting of greater facilities for the freer movement of men, capital, and even whole industries. A substantial volume of goods is being annually exchanged between the United States and Canada; but trade between the United States and the rest of the British Commonwealth is meagre, since it is impeded not only by high tariffs but also by separate currencies. By

constituting a common British-American currency and by eliminating tariffs, Canada would once again live in monetary union with the rest of the Commonwealth, and inflation would be halted on both sides of the Atlantic because lower prices would make it unnecessary to increase wages.

Without the international division of labour that results from world-wide competition, people are denied the best and cheapest goods. Hence they are unable to secure that striking improvement in their standard of living which an almost magical progress in production and transport has made possible. Immense resources are dissipated all over the world by refusing to let the free market decide what should be produced, in what places, and at what prices. The very existence of protective tariff walls and quota restrictions discloses a lack of courage, enterprise, and statesmanship.

It is undeniable that competition has been the most potent influence in the advance of mankind. Why not restore this influence to the full by breaking down as many tariff walls as possible? Would not the policy here recommended be the best means of combatting socialism and its offspring communism?

It is obvious that such radical reforms as those here proposed could be put into effect only by carefully devised stages. However, a sound idea—which in any case will be adopted in the long run—should be openly expressed and allowed to take root in the minds of the peoples and their rulers.

TROUBLES IN CHINA'S FOREIGN TRADE

One of the boldest critics of the Party, especially of the lower level leadership, was a high official of the Ministry of Foreign Trade, Yen Wen-chieh, who was director of the European and American Research Unit of the Quotation Research Office in that Ministry. At the end of May and the beginning of June, when the so-called rightist deviationists launched their attack against the Communist Party, Yen Wen-chieh directed severe criticism at the Party in a number of fields. He made a series of "reactionary" suggestions in a speech to a party conference; in an article which he wrote for the Peking People's Daily (but which the Party organ did not publish); and especially in a lengthened memorandum which he actually sent to the Party Central Committee. He held that it was wrong for Party Committees below the provincial and municipal level to play the leadership role and demanded the removal of large numbers of veteran cadres who served the Party "in the wilderness" and who were probably more at home in the immemorial village or farm than in the modern city or modern enterprise.

His accusers alleged that the real motive was to drive out the Party cadres from different government organs, enterprises and schools, where they loyally enforced the policies of the Party and the State, so that it would not be possible for the personnel establishments to carry out correctly the political line and the line of organisation of the Party. He wanted more freedom of thought and speech, as under the bourgeoisie and in opposition to the ideological leadership of the Party. He was arraigned for self-criticism by the Foreign Trade Ministry and accused of "breathing through the same nose as the right wing of the bourgeoisie," and of openly opposing the counter-attack which, after June 8, the Party People's Daily began with

several editorials. He also spoke at Party conferences, sent two articles to the People's Daily, and addressed an urgent appeal to the Party Central Committee. He joined the revolution in 1938, and was admitted into the Communist Party in 1942, when its fortunes were at a low ebb.

Yen Wen-chieh advocated that the Party should limit leadership in the "direction of and road to Socialism as well as important questions involving lines and policies." He thought that "this role can only be taken up by the Party Central Committee and the provincial (Municipal) Party committees but not the district committees, hsien committees, Chu committees and the Party committees attached to organs, enterprises and schools. At the same time, the government and the Party have their own sets of system, and government, legal and supervisory organs, organizations and enterprises of the same level are required to yield to Party committees at the same level. This leads to duplication. This brought about the replacement of the government with the Party or the want of distinction between the Party and the government."

He demanded that the Party committees below the provincial level and the Party committees attached to organs, enterprises and schools be looked upon as "ordinary establishments in charge of Party affairs which have no leadership role to play". He thought that they should have no power of whatever kind to exercise in State work, in the business of organs and enterprises and on people attending meetings, and that the organs, enterprises and local governments should be led only by the government and people's councils."

Yen Wen-chieh thought that numerous Party member cadres at the middle and lower echelons (including cadres

with rank equivalent to bureau chief of the Central Government) were unfit for the offices they were holding. He looked upon them as "ignorant and useless persons" who owed their livelihood to the Party. "These people who are placed at the head of other people know nothing about, and even make a mess of, their work. The best is for these people to do nothing, but generally they act to complicate matters." On the other hand, he thought: "Our business is in the hands of the old personnel and the young intellectuals who cannot be promoted on account of their historical, family and social relations." He said that his state of affairs had reached the "unbearable" phase.

He advocated that the veteran Party members of the middle and lower echelons who were fostered during the First Civil War, the Anti-Japanese War and the Liberation War (1927-1947) be "removed" and awarded life pensions. They could be required, he thought, either to retire, to work in the countryside, or to take up more simple work according to their circumstances. To achieve this end, he accused the Party of "abusing virtue and discarding the talented" when enforcing the cadre policy in the past. He said: "The 'talented' are cast aside, the 'virtue' is frequently counted in term of seniority, years of service and the favour of the leaders."

He went further to attack the personnel establishments by saying: "Those in charge of personnel know nothing about personnel, and refuse to acknowledge the knowledge and ability of other people." He thought that the personnel establishments were "frivolous with the future and reputation of other people," and that "the prestige of the Party would be squandered away in this way." He asserted that "in the end this might bring about the wrath of God and the curse of the people." He also said that the personnel issue was the cause of "injustice to people and the focus of righteous indignation." If the Party Central Committee did not introduce a change according to his suggestions, "the contradictions can never be solved."

Yen Wen-chieh assailed the "three anti", "five anti" and counter-revolutionary suppression movements by saying: "People who have gone through these movements in person would remember the terror and feel their flesh creep whenever they think of them. At that time, everybody felt that they might become the next victim and there was general terror in society. The damage done to the people was profound indeed. No matter who the person was, he might be required to face a struggle at the motion of the finger of the leader. The scenes of struggle were more unbearable than prison." He recalled the terrors of previous regimes, and added: "Think of the frenzied way in which the victimized peasants rose to struggle against the despots and landlords at that time. Should there be a change in the situation in the future, how these victims would deal with us could be imagined. I feel that these struggles might force some people who originally had no intention of becoming counter-revolutionaries to join the counter-revolutionary camp."

He declared: "No matter what their achievements are, these movements cannot be launched again. We must demand that the government lay down a stipulation to the effect that the ordinary organs and organizations may not inaugurate any struggle meetings unless they have obtained the approval of the Procuratorate General and such meetings are conducted under the auspices of a law court." He also openly advocated that reprisals be made against Party activists and toughs who led the struggle against counter-revolutionaries by saying: "Death to those whose false charges led to the death of other people" and "Imprisonment for those whose false charges led to the wrongful imprisonment of other people."

Yen Wen-chieh also declared there was no freedom of thought and speech in the country and within the Party. He said: "People are not free to think and talk as they please. They have the feeling that they are required to be led by other people and to limit their activities within a circle marked out for them." Yen Wen-chieh said that the absence of freedom of thought and speech had its "social cause in the low standard of thought and knowledge on the part of the personnel at the middle and lower echelons. These people cannot think on their own. They are capable of acting only in accordance with the whims of their superiors."

He described the ideological leadership and unified leadership of the Party as a form of bondage. He said "All places look up to their Party committees only. The administrations, enterprises, newspapers, trade unions, Youth League organizations and Party committees breathe in the same way. The only way is for all people to follow their lead." He added: "Those who are capable of obeying instructions without asking questions in the movements are looked upon as good cadres. This makes simpletons of numerous comrades within the Party."

Concerning the interpretation of articles written by the Leader of the Party, he went on: "It looks as if an article is enough to solve all the theories and work problems in the world. It looks as if there is no other learning in the world to-day save this article." He also said: "I really don't know why this is necessary. If the things written by a man have to be explained in numerous ways before they can be understood by other people, we can very well go without them."

For the sake of "opening up" thought and speech, he suggested that more newspapers should be published of the "current style" (referring to those published at the time when the critics launched their attack without the Party taking action to strike back for the time being). "With this kind of public opinion available, even without the rectification campaign, people would be forced to manage their affairs with greater care and to have regard for the opposition view and popular opinion."

He was opposed not only to the mass movement but also to the policy and line adopted for leading these movements. He thought that once a movement is launched, everybody had to move along with the tide even though he may have detected that there is something wrong at that time. There is nothing to say, nor can there be anything to say, and the only way out is to see it through. This also becomes an ideological bondage. He demanded that there should be less "movements" so that people may have a more creative brain and don't have to strain themselves mentally and physically all day long.

He expressed his opposition to the Party policy involving the ideological remoulding of the intellectuals by saying: "All kinds of studies, reporting and social activities may not be carried out during working hours, and people should be free to decide whether they are going to take part in them or not."

In his article "About 'Gossips of Slave-Girls' and Their Prestige," he said that people living in society, "especially the scholars and journalists" were born to be "slave-girls and slaves." He wrote that at present some people "speak and write as instructed or simply to flatter. They are insincere in sentiment and affected in attitude. When their writings or speeches are read or heard, one has the feeling of chewing the muck-worms which makes one wants to vomit." He thought that in our life, such a phenomenon had become the vogue and was frequently seen. He wrote: Some scholars and journalists, whenever they mention the

RECTIFICATION OF YOUTH IN CHINA

The Communists have made it known that the rectification campaign must go on, though it is now designed to rectify not the Party's errors but those of its critics and the bourgeoisie. The industrialists and merchants, now transformed, have been bluntly told that they must come off the fence and declare themselves. In view of the denunciations of all critics they will either stay silent or will utter a lot of mealy-mouthed fawning tributes to the Party, as was so common in the early days of the regime and of the period when the People's Political Consultative

leaders, are in the habit of adding some expressions of gratitude like "pious and respected", "great", "simple and plain", etc. Apart from finding it unbearable to read on due to its affected nature, one cannot also help from wondering what 'root' and 'character' has the writer at heart. He said that the leaders and those led by them, the leaders and the people, and the upper and lower echelons are related with each other like the master was related with the slave. He said: "A 'slave-girl' is the dowry or appendage of her 'mistress'. She has to win the favour and avoid the hate of her mistress. In her spiritual world, there are only submission and flattery."

He declared: "The encirclement for annihilation has begun. Punitive action is being taken in a big way. The Jen Min Jih Pao is acting in a most clumsy and unskillful manner. If it is said that other people are rough, the Jen Min Jih Pao is a hundred times more rough than these people." He attacked the Jen Min Jih Pao for using the headline "The People Have Not Asked Ko Pei-ch'i to Make These Utterances" and said: "Does it mean that this has been verified by plebiscite? I think that the Ko Pei-ch'i's also represent some of the people in the society." He also attacked the newspaper for publishing the article "Note-worthy Trend of the Democratic League" which made the Democratic League members' flesh creep and gave people the impression that some activities were being secretively carried out. He described the people who counter-criticized the right wing as insincere and opportunistic and doubted whether they were speaking the truth.

All this contributed to form his conception that the Jen Min Jih Pao was "over zealous, unwise and explosive". He said: "Why so small-minded? Is Chu An-p'ing's reference to the big and small monks an insult to the leader? I on my part rather appreciate this remark. When Ko Pei-ch'i said that the Communists had to be slaughtered, he did not say that the slaughter ought to take place right now. If the Communists were really bad, why should they forbid others to kill them?" He joined with the right wingers outside the Party in wailing about the "presence of misgivings" and their "dissatisfaction and disappointment" with the Jen Min Jih Pao.

He also opposed to the struggle of the Party and the masses against the right wing carried out within the organs of the Ministry of Foreign Trade. When the blackboard newspaper of the Ministry of Foreign Trade carried an abstract of rightwinger Li T'ai-hua's speech on June 11, Yen Wen-chieh was unable to suppress his anger. He stood forth on behalf of Li T'ai-hua and lodged in the name of a "member of the Chinese Communist Party" a strong protest against the blackboard newspaper. He knew very well that the editorial committee of the blackboard newspaper was led by the Party, but he demanded to be informed who was responsible for this and why, and thought this was done with a guilty conscience.

Council in Peking was the major representative body and the National People's Congress had yet to be created. Then the bourgeoisie were mere echoes of what the Party leaders said.

A person who arrived from Shanghai at the end of August said the Hungarian Incident had shocked many people and cast doubts in their minds about the Communists. It encouraged the impractical, impulsive intellectuals to open their tightly shut mouths too often and too quickly, so that they walked open-eyed into the trap set by the shrewd Communists. The more practical and less idealistic industrialists remained aloof and sat on the fence. Now the Communists are trying to force them to take part in a debate, and to get them to loosen their tongues. But as their chief desire is to get the Party Committee out of their offices they will no doubt prefer to stay silent: if they can.

The leaders of the Youth League sustained as great a shock as any of the Communist bodies, for after all their members were supposed to be the paragons of Communist youth. It was clear that many of these spirited young persons were thoroughly dissatisfied with the way things were going, and it was this organisation to which the People's Daily and the Youth Daily addressed their first remonstrances and their first appeals. By the beginning of August the Youth League leaders had recovered their morale and their former confidence.

The exposures of ten prominent members of the Youth League showed not only that there were rightists in the system of the Youth League but that they were not confined to individuals. The Youth Daily declared on August 2 that in the struggle to preserve the purity of the Young Communist League "no leniency or mercy must be shown toward rightists inside the League." The malcontents inside the League "wildly attacked the Party leadership, promoted distrust of the Party, did not execute the directives and policies of the Party, and detached the League from the leadership of the Party." One critic demanded that the League should discard its status as a satellite of the Party, and likened its status to that of the oppressed and the Party to that of the oppressor. Others said they were tired of being told how the Red Army on the famous Long March had to eat their leather belts; the everlasting political fare of the Youth Daily; and the analysis of youth problems solely from the standpoint of class. The political and ideological education of the youths must therefore be intensified tenfold. People may ask how it came about that after so many years of training and discipline the Youth League produced such rightist rebels; the explanation was obvious. They came of bourgeois families and were thus easily susceptible to the influences of the bourgeois corrupt way of life and revisionism. Obviously the task of the organisation at all levels was to watch out for and expose all of the malcontent rebels, and isolate them from the masses.

Meetings were called in the counter-offensive in greater profusion even than during the rectification, and just as the latter were designed almost wholly to criticise the Party and the Government, so were the next series designed to denounce and expose the "rightist conspiratorial activities." Some persons of a record under the Kuomintang appear to have been involved, such as Lo Hai-sha, a teacher in Hong-kew (Shanghai) but said to be a henchman of Chen Ming-hsu in Nationalist days. It was even alleged that he had

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MUKDEN PROFESSORS AND THE "THREE EVILS"

Many facets of national problems were dealt with in the variegated criticisms of the Party and Government during the brief spell of freedom the critics enjoyed last May and June. One of the most comprehensive and basic criticisms of the system, with the outlines of an alternative system, were given by two members of the faculty of the Shenyang (Mukden) Normal College at a "Contention" meeting on June 10. The two members were Chang Po-sheng and Huang Chen-lu, who held the boards for three hours. Chang Po-sheng was head of the Propaganda Department of the Young Communist League in the Normal College and Huang Chen-lu was editor of the College paper. They held that the Communist Party, in the then rectification campaign of the Party working style, should not only wipe out the three party evils but pull them out by the roots as the only real way to solve the contradictions among the people. They argued that these three evils of bureaucratism, sectarianism and subjectivism originated from the Communist Party Centre itself.

Huang Chen-lu evaluated the suppression of counter-revolutionaries and the campaign for rounding up counter-revolutionaries. Chang Po-sheng in his speech made certain supplementary remarks and enlarged upon this question. They said: "The suppression of counter-revolutionaries was necessary and timely but too many persons were put to death. Measured by the criterion of 'meting out capital punishment against heinous crimes in order to appease popular fury', a number of persons should not have been put to death and a number of persons have been wrongly executed. This was mainly due to the fact that historical materialism was lacking, the 'rather be leftist than rightist tendency was developed and the law was not observed.' What did they mean by lack of historical materialism? They had this to say: many among the executed were formerly military and political personnel of the bogus Manchoukuo and Kuomintang and landlords, but they were not guilty of heinous crimes, still less were they flagrant counter-revolutionaries; they were the product of history. They committed crimes because they wanted to live and wanted to support their parents, wives and children. They served the reactionaries in order to live. Some had shot revolutionaries but they had to carry out orders of their superiors. At the same time, inevitably men at that time got an orthodox notion and foolish notion, regarding themselves as patriots in serving the Kuomintang. It is inhumane to put all of them to death."

The campaign for rounding up counter-revolutionaries was not necessary, said Huang Chen-lu and Chang Po-sheng. Chang Po-sheng emphasized in his speech: "The gain from the campaign does not recompense for the loss. The greatest loss is to widen the 'moat' and heighten the 'wall'." In their view, the campaign for suppressing counter-revolutionaries has put to death all that should be put to death, and it is not necessary to launch a startle-the-universe campaign against the remnant elements who should be dealt with by law after investigations and trial. In their opinion, the campaign for rounding up counter-revolutionaries is merely "to create disturbance when the land is in peace."

They said: "If the cause behind the mistakes of the campaign for rounding up counter-revolutionaries is traced, it will be traced to the Party Centre. The 5 per cent (Party Centre's estimate of counter revolutionaries) is a

gross manifestation of subjectivism and bureaucratism. The idea is influenced by Stalin's erroneous theory that 'the more developed the Socialist cause, the more the enemy'. But the root of the mistake lies in Peking. Socialist transformation is over-hasty all round. It is not a question of whether co-operativization is called for but a question of how to do it. To this question no answer was given by Chairman Mao in his report to the Supreme State Conference. The trouble with Socialist transformation is that time, conditions and localities are disregarded. The ideological foundation of the peasants is not strong; instruments of production are not much different from those used 3,000 years ago; and the cultural level is low. It was in such circumstances that 90 per cent of the peasants joined the co-operatives. Outwardly the movement was launched with fanfare; actually it was too early. It is not true that all the peasants consciously want to join the co-operatives; the majority of them are forced to do so. That is why the APC cadres are short, their quality is not high, the work is chaotic, non-productive personnel are too large in number, and production enthusiasm is low."

Huang Chen-lu accordingly proposed that, where the right conditions were not present, the co-operatives should be allowed to disband themselves and the State should centre on the State farms and permit purchase and sale of small holdings.

Both Huang Chen-lu and Chang Po-sheng also made an evaluation of the socialist transformation of private industrialists and merchants. Generally speaking, they said, the transformation was correct but it was not necessary to co-operativise in a short period all the small industrialists and merchants, including the general service trades. With the private industrial and commercial establishments coming under State-private ownership, large numbers of directors, accountants, and cashiers—"leading personnel"—have appeared, and money has filled their pockets. Moreover, trouble has been added to consumers. Could there be any disturbances if these people were allowed to run their businesses independently under the leadership of the powerful State economy?

The Party organ, the Shenyang Jih Pao, emphasised that the central problem brought up by these two critics was to do away with the absolute leadership of the Party which, said Huang, "is for the purpose of strengthening the Party leadership and making the Party a vanguard. All the advanced political parties must possess the following conditions: devotion to the country and people, working for the country, the people and mankind, having their own farsighted political ideals and clear and independent political programme. They are not supposed to be organised as a privileged class, superiors of the people; nor are they supposed to divide the political spoils and become People's Emperors. Whoever speaks for the interests of the people will find plain sailing; whoever betrays the people will fall from the stage of history."

"Take the Kuomintang, for instance. Under Dr. Sun Yat-sen's leadership, the San Min Chu I spoke for the interests of the people; that was why the K.M.T., though empty-handed, won the support of the people and overthrew the Manchu ruler. Chiang Kai-shek had eight million (sic) troops and American help, but he was knocked down because he betrayed the people. History bears out that as soon as a privileged group appeared there were bound to be the ruler and the ruled, and there were bound to be anta-

gonistic contradictions. The alternation of peace and disorder in the history of China was mainly due to the emergence of the ruler and the ruled and the emergence of political and economic inequality. Originally, all sided with the people but later one section turned to oppress the people and lorded it over the people. When the people 'could not even lead the life of a slave' they rose up. That is the way history takes its course. This is our lesson."

Huang Chen-lu pointed out that before liberation the Party enjoyed a high prestige, maintaining intimate connections with the people and getting united with the people; and there were no such contradictions as exist today. After the founding of the Republic, particularly in the last year or two, the Party became the superior to the people and had become privileged, praising itself for its "greatness, glory and correctness," and placing itself both above the State and above the people. For this reason Party prestige was falling day by day. More and more persons with impure motives join the Party; they join because they can thereby win glory and acquire power, influence and money. "Imbued with despicable individualism, they insinuate themselves into the favour of the Party, flatter the Party, bow to the Party and obey the Party on anything. After joining the Party, they become arrogant, take an improper measure of themselves, and use the title of Party member as a step to advancement. They lecture others, reprimand others, overhear others, hasten to make reports, and become the Party's informers. The Communist Party has 12 million members, less than two per cent of the total population. The 600 million are to become obedient subjects of these two per cent. What principle is this? The absolute leadership of the Party must be done away with. The privilege of Party members must be done away with."

The argument was continued by Chang Po-sheng. He said that now that the Party is in a privileged position, Party members of poor talents are found everywhere occupying high positions. Old Party members, forgetting the tradition of working for the nation and the people, are fond of flattery and loathe criticism. The Party Centre takes the lead, setting a bad example to those in low places. The Press unanimously sings the praises of the Party. High positions and rich emoluments attract a group of activists who, like a swarm of flies, cling to a plate of honey, forming a wire entanglement and iron wall between the Party and the masses. "We warn the Party," he gesticulated; "beware of organisational and ideological ossification." It was logical and right for Party leaders to take over the lead and the highest positions at the founding of the People's Republic. But conditions had changed and demanded the liquidation of the absolute right of leadership and privilege; otherwise the course of history would be obstructed. Only when the privilege of Party members is done away with will genuine Communists join the Party, and only such Party organisations could preserve their purity and lead the State by way of their correct policy; otherwise the Party and socialism would be buried.

"There is no socialist democracy in the years after liberation, and what democracy there is, is only in form and it lacks even the pseudo-democracy of the capitalist countries. The Constitution is a scrap of paper and may not be observed by the Party. Outwardly we have democratic election, united front policy, and non-Party people exercising leadership; actually, the Party exercises dictatorship and a few persons of the Political Bureau of the Party Centre exercise absolute power. Since the election of the people's deputies is not democratic, the election is actually a variety of appointment. Although some non-Party people shoulder

the leading posts, they perform duties but have no power. The point is not whether some sit in the revolving chairs but whether there is actual authority. Nor is there democracy within the Party. The convening of the 8th National Congress, for instance, was a great event, but which Party member could bring his views to the Congress? Party organisations at the lower levels and Party members can only study and carry out the resolutions of the 8th National Congress. Hence they are not interested in the resolutions. The claim that Party members may criticise the work of the Party Centre is empty talk. As to freedom of assembly, association, and publication, it is only a thing written in the Constitution; actually, citizens can only become obedient subjects or, to use a harsh word, slaves. The Party is the Emperor and an august and sacred body. Who dares to oppose it holding as it does the sword of State power in one hand and the bible of Marxism-Leninism in the other? You will be either labelled an anti-Marxist-Leninist or handcuffed with unfounded charges."

Not only must the absolute leadership be done away with, but the system of general election campaigns be put into effect, and people allowed freely to organise new political parties and social bodies and to put out publications so as to open the channels of public opinion, supervise the government, combat cheap praise and encourage the people to oppose an undesirable status quo, even if it should mean opposition to the Communist Party—provided they do not stand against the people and socialism.

The Constitution lays it down that the words of the National People's Congress and its Standing Committee count in State affairs. But actually the NPC is nothing but a mud idol while the whole power is in the hands of the Party Centre. The NPC merely fulfils the formality of raising hands and passing resolutions. In all these years, said Chang Po-sheng, one seldom saw a Standing Committee member putting forward an important motion, though occasionally some were able to publish unimportant notes on inspection tours. What is more laughable is the People's Political Consultative Conference (PPCC), which is said to represent the United Front, spends its main energy on work connected with the organisation of studies. Actually the PPCC does not interest itself in politics; or else, it interests itself in politics but does not administer political affairs, or administers political affairs but holds no consultations. The NPC has hands (voting by show of hands) and the PPCC has voice: like two paper flowers the NPC and the PPCC decorate the facade of democracy. Insofar as the NPC and PPCC are concerned, the Party is an Emperor above the Government and above the Constitution. The Party not only substitutes the Government but also substitutes the Constitution and the NPC. All kinds of important questions are decided upon by six persons at their table and the destiny of 600 million is dictated by the pen of these six persons—Chairman Mao, Liu Shao-chi, Premier Chou En-lai and those above the rank of Secretary-General of the Party Centre. And how can they know the actual situation? At best they can make an inspection tour of the Yellow River and swim in the Yangtze. The Party Centre has never criticised itself publicly since the founding of the Republic. If this dictatorial obstruction to the national affairs is to be changed, the Party must be removed from its higher position over the NPC and Government, the government placed below the NPC and the NPC must be made an organ exercising genuine power. The number of Standing Committee members should be increased and, if necessary, they may be divided into two chambers or even three chambers; the NPC deputies elected by general elections; and the seats must not be divided among the political parties like a division of political spoils, because the

CCP and the democratic parties cannot represent all the people.

Chang Po-sheng then assailed over-sized structures and superfluous personnel which, he said, were a cumbersome load on socialist construction. The four big systems—Party, Government ACFTU, and Youth League—are interwoven and their duties intermingled. The personnel of these organs, if carefully calculated, will be found enough to form two or three governments. Moreover incompetent persons are to be found everywhere who neglect their duties while taking the pay, and idleness of personnel to the point of bewilderment is a widespread phenomenon. This is a crime committed against the people, he said. The pay for one working personnel has to be provided by scores and even hundreds of peasants toiling the whole year round. The personnel work is wholly in a mess. Incompetent persons become leaders and competent ones become men without official standing. The personnel department should be given a complete shake-up on the principle of selecting the virtuous and appointing the capable. Structures should be strenuously simplified and superfluous personnel cut. In-

competent personnel should be demoted or fired. Some personnel should take a direct part in production. Full-time Party cadres should be drastically reduced. The work of the Trade Unions and the Youth League, which are organisations of the masses, should be done by the masses, while their full-time cadres should be drastically reduced. It is learned that the Young Communist League of Yugoslavia has only some 170 full-time cadres over the whole country, whereas China's First Motor Car Plant alone has more than 100 full-time League cadres. If one is a Party member he becomes a leading cadre; if he is not a Party member, he is placed at the lower level. Whether the post is high or low, should be determined by whether one is equal to the post. Some veteran revolutionary cadres who have worked for the revolution for several decades but whose cultural level is low should be pensioned off or be given a job as a groom, and since a groom would get more than a university graduate appointed a department head he would be all the happier. Veteran cadres unequal to their positions find their position unbearable. They lose weight because of overwork!

NATIONAL INCOME IN TAIWAN

By Shen-Chu Shieh

(Section Chief, National Income Division, DGBAS)

I

National income is the net gain arising from current economic activities of normal residents. It begins from production, linked by distribution, and ends with expenditure; expenditures then, again bring on new production and income. Under this procedure, economic circular flows are kept going on. For this reason, the form and meaning of national income are changeable corresponding with the stages of economic activities. To observe it from various angles rather than from a single angle is necessary for a better understanding of how it is formed, to whom it is distributed, and where it is used.

A. From the productive aspect: National income is the factor cost of goods and services produced currently by the nation's resources or the added value created currently by the productive factors belonging to a nation's normal residents—National Production.

B. From the distributive aspect: National income is the part of world's current production accrued to a nation's residents, or the aggregate earnings of labor and property arising from the current production of goods and services by the nation's economy—National Factor Income.

C. From the expenditure aspect: National income is the current expenditures of normal residents on final products, or the total expenditures of consumption and capital formation during the current period—National Expenditure.

Theoretically, national production should equal to national income, which, in turn, should equal to national expenditure, provided that they are counted on the same basis with regard to "gross" and "net," "national" and "domestic," "market value" and "factor cost." This is so because they are various forms of the same thing or various stages of the same flow.

Knowing that, it would be easier to point out that there are many ways to approach the figures of national income and its relative aggregates. Not to speak of in-

direct methods used in social accounting such as national wealth study, input-output accounting, and flow-of-funds accounting, there are at least six direct methods which can be used in national income statistics.

1. Production Approach

(a) Value-Added Method: Intermediate products—goods and services purchased from other enterprises and used up in the process of production during the current year—are subtracted from the total value of production (sales and inventory changes), the result would be the unduplicated net output or added value confined to national income concept.

(b) Final Product Method: In the above calculation of net output, the value of all intermediate products appears positively as the output of one producer and negatively as the input of another producer. When all accounts of business are consolidated, all of them would be cancelled out. So it is suggested that the value of unduplicated production may also be obtained by summing all final products which are those goods and services used either in consumption or in capital formation but not those used as part of current productive cost.

2. Income Approach

(a) Income Payment Method: To analyse business cost records and sum up their factor income payments, that would be the national income which theoretically could be divided into wages and salaries; rents; interest and profits; but practically is classified into:

- i. Compensation of employees.
- ii. Income from farms, professions and other unincorporated enterprises.
- iii. Income from property.
- iv. Savings of corporations.
- v. Direct taxes on corporations.
- vi. Government income from property and entrepreneurship.

(b) Income Receipt Method: To sum up normal residents' factor income items shown above from receivers instead of payers. It is an important approach to show how national income is distributed.

3. Expenditure Approach

(a) Expenditure Method or Direct Method: To measure the final outlay of normal residents on consumption expenditures and capital formation, it would be the equivalent of national product or national income.

(b) Commodity Flow Method: Goods and services are classified into final and intermediate products item by item, then, final expenditures are calculated indirectly by using the following formulas:

i. Final Expenditure or National Expenditure = National Consumption + Capital Formation.

ii. National Consumption = Production + Import-Export (consumption goods and service).

iii. Capital Formation = Production + Import-Export (capital goods).

In addition to the above methods, there is a production-income payment method, which actually is a combination of 1(a) value-added method and 2(a) income payment method, for example, the following is a profit and loss statement of Corporation A:

Wages	\$ 40	Sales	\$100
Raw material	20	Dividend received	5
Rent	5		
Minus:			
Change in inventory	— 10		
Cost of sales	75		
Profit	30		
	<hr/>		<hr/>
	\$105		\$105

This may be adjusted into production statement as follows:

Wages	\$ 40	Sales	\$100
Rent	5	Change in inventory	\$10
Profit	30	Minus:	
Minus:			
Dividend received	5	Raw material	20
	<hr/>		<hr/>
	\$ 70		\$ 70

The right hand side of the above statement shows the calculation of value-added method, while the left illustrates the computation of income payment method. Two things are done simultaneously, so it is gaining more and more popularity in national income statistics.

Of course, each of the above method has its particular content and use. For instance, value-added method is the simplest way to estimate a nation's economic ability, productivity, and its industrial construction; income receipt method is the only way to gain knowledge about income distribution, people's purchasing power and their living standard; and the expenditure method can provide us data about how much of national income or product has been consumed and how much of it can be used for economic development. Therefore, each one of them is useful for economic research and economic planning.

Formerly, most of the countries estimated national income figures from only one or two aspects with reference to their social situations, economic conditions, general statistics as well as available funds and manpower. But since the publication of U.N. System of National Income Statistics (e.g., "A System of National Accounting and Supporting Tables" published by the Statistical Office of the United

Nations in 1955) data from all aspects are needed for compilations of comprehensive accounts and tables included in the System which is so far the best presentation of economic transactions among interrelated sectors. This is the reason why methods used and data involved in national income are much more complex than before.

II

With regard to Taiwan's national income statistics, it should be traced to "Project of National Income Survey in Taiwan" which was published by TPBAS* in 1949. Although many methods were suggested to measure national income in this project, actually, only simple value-added method was used to approach national products in Taiwan in terms of 1937 constant prices. To inflate constant prices, the "Index Number of Cost of Living of Civil Services in Taipei" was used as the "inflator." Apparently, it was rather rough as compared with methods used in more advanced countries.

In 1953, Dr. Theodore A. Sumberg, an American advisor, was invited to this Island and made many suggestions to our Government in the field of national income statistics. For the purposes of carrying out his recommendations, the DGBAS set up a National Income Division in August of the same year, and several remarkable improvements have been accomplished since then:

1. In addition to value-added method which is used to meet urgent need of national product estimation, production-income payment method and expenditure method are newly adopted to calculate refined national income aggregates including national output, national outlays, and national income payments. As to the value-added method, there are also some modifications, such as the adoption of International Standard of Income Classification and the use of current unit prices.

2. In respect of presentation, the U.N. System of National Accounting for ECAFE Countries is adopted which differs from the U.N. normal system basically in the omission of capital transaction among sectors. In this system, six accounts and twelve tables are designed to show the inter-relationship of sectors and flows of income.

3. In respect of sources of data, better and broader sources are always being sought after. Besides many small-scale sampling surveys conducted directly by the Division, many large-scale surveys such as Family Budget Sampling Survey, Industrial and Commercial Census, Agricultural Sampling Census and Population Census have been carried out by TPBAS, TPDOR, JCRR, TPDOA, MOI respectively with the help of DGBAS.

Although there are still many difficulties facing us, and there are still much to be desired, we are doubtlessly on the way of progress in the field of national income study.

III

In this section, the statistics of national income estimations in Taiwan which are published by the Division are briefly described.

First of all, it is worthy of note that the national income estimation of value-added method is very close to that of production-income payment method, and the difference between them is under 1% in average. The detailed figures are given as follows:

* DGBAS = Directorate-General of Budgets, Accounts, & Statistics, Executive Yuan.

MOI = Ministry of the Interior.

JCRR = Joint Commission on Rural Reconstruction.

TPBAS = Taiwan Provincial Bureau of Budgets, Accounts, & Statistics.

TPDOR = Taiwan Provincial Department of Reconstruction.

TPDOA = Taiwan Provincial Department of Agriculture.

NATIONAL INCOME ESTIMATION IN TAIWAN

(in terms of current prices)

Unit: NT\$ million

Method Used	1951	1952	1953	1954	1955
(1) Production-income payment method	8,942	13,047	17,882	18,807	22,561
(2) Value-added method	8,885	12,957	17,690	18,521	22,486
(3) Difference "(1)-(2)"	57	90	192	286	75
(4) Percentage of Difference $\frac{(3)}{(1)} \times 100$	0.64	0.69	1.07	1.52	0.33

The following table shows Taiwan National Product in terms of current prices and 1951 prices.

NET & GROSS VALUE OF NATIONAL PRODUCT IN TAIWAN

(In terms of current money value (A) and 1951 money value (B))

Unit: NT\$ million

	1951		1952		1953		1954		1955	
	(A)	(B)								
I Net domestic product (at factor costs)	8,891	8,891	12,960	10,525	17,693	18,212	18,525	13,514	22,490	14,380
Agriculture, forestry, fisheries, animal husbandry	2,980	2,980	4,494	3,650	6,943	5,185	6,133	4,474	7,392	4,726
Mining	81	81	273	222	261	195	311	227	376	241
Manufacturing	1,591	1,591	2,070	1,681	2,459	1,836	3,139	2,290	3,801	2,430
Building	435	435	623	506	906	677	1,077	786	1,195	764
Power, gas, & water supply	105	105	88	71	145	108	105	76	199	127
Commerce	1,162	1,162	2,190	1,779	3,108	2,321	3,123	2,278	3,716	2,376
Storage, transportation and communication	445	445	569	462	699	522	800	584	948	606
Banking	120	120	164	133	204	152	264	193	403	258
Government services	1,162	1,162	1,446	1,174	1,771	1,322	2,320	1,679	2,964	1,895
Other services	810	810	1,043	847	1,197	894	1,271	927	1,496	957
II National factor income	-6	-6	-3	-2	-3	-2	-4	-3	-4	-3
III Net national product (I + II) (national income)	8,885	8,885	12,957	10,523	17,690	13,210	13,521	13,511	22,486	14,377
IV Capital expenditure & maintenance	637	637	857	696	946	706	1,175	857	1,421	909
V Indirect taxes	1,270	1,270	2,140	1,738	2,661	1,987	3,465	2,527	3,978	2,544
VI Subsidies	13	13	130	106	4	3	95	69	4	3
VII Gross national product (III + IV + V - VI) (at market prices)	10,779	10,779	15,824	12,851	21,293	15,900	23,066	16,826	27,881	17,827
VIII Total population (thousand)	8,467	8,467	8,726	8,726	9,036	9,036	9,374	9,374	9,733	9,733
IX Per capita income (III + VIII)	1,049	1,049	1,485	1,206	1,958	1,462	1,976	1,441	2,310	1,477
X Per capita gross product (VII + VIII)	1,273	1,273	1,813	1,472	2,356	1,759	2,461	1,795	2,865	1,832

From the above table:

(1) National income or net national product at factor cost in terms of current prices increased from 8,885 million dollars in 1951 to 22,486 million dollars in 1955, that means an increase of 153.08%, but in terms of 1951 prices, the increase was only 61.81%.

(2) Per capita income in terms of current prices increased from \$1,049 in 1951 to \$2,310 in 1955, the rate of increase in five years is 120.21%. But in terms of 1951 prices, the rate of increase is 40.80%, which is 21% lower than that of national income. This is, apparently, due to the increase in population.

(3) To compare the rates of increase of outputs industry by industry, we find that mining leads with 197.53%, banks and other financial institutions 115%, commerce 104.48%, construction 75.63%, public administration and defense 63.08%, agriculture, forestry and fishery 58.59%, and manufacture 52.73%. All of the above industries made remarkable progress, but for others, only steady growth has been achieved.

(4) The following table shows the degrees of importance of various industries in making up the net domestic product of Taiwan.

PERCENTAGE OF NET DOMESTIC PRODUCT IN TAIWAN—BY INDUSTRIES

Industries	1951	1955
Net Domestic Product	100.00	100.00
Agriculture, Forestry Hunting and Fishery	33.52	32.87
Mining and Quarrying	.91	1.67
Manufacturing	17.90	16.90
Construction	4.89	5.31
Electricity, Gas and Water	1.18	.89
Commerce	13.08	16.52
Transportation, Storage and Communication	5.00	4.22
Banking, Insurance and Real Estate	1.35	1.79
Public Administration and Defence	13.07	13.18
Other Services	9.10	6.65

Following are six interrelated national accounts in Taiwan, 1951-55:

Account 1—Domestic Product: It is the consolidated production account of the given economy. The debit side of the account shows, at market prices, the sum of the product values added at each stage of production and is

equal to the gross domestic product at market prices. The credit side of the account shows separately the consumption expenditure of the economy subdivided into public and private consumption. Capital formation is gross and is divided into fixed capital formation and the increase in stocks. In an open economy, exports net of imports represent another use of product which is final from the point of view of the economy, so both exports and imports are listed in the account to give a total equal to the gross domestic product at market prices. The total of gross domestic product of Taiwan in 1955 is 27,889 million dollars, of which about 72.2% is used in private consumption, 17.4% in consumption expenditure of the government, and 4.6% in capital formation. Exports net of imports are about—4.3% of the total.

Account 2—National Income: Apart from the special treatment of depreciation provisions, this account differs from the appropriation account of enterprises in that the value added in production taking place in other sectors and the whole of the net factor income from abroad are routed through it. On the credit side, the total of gross domestic product at factor cost is transferred to this account from the first account, all net factor income from abroad is added and depreciation provisions are deducted. The distribution of national income is shown separately on the debit side of the account. As to the distribution of national income of Taiwan in 1955 which totaled 22,561 million dollars, the percentages are: compensation of employees 40.9%; income from farms, professions and other unincorporated enterprises 37.5%; income from property 18.4%; direct taxes on corporations 2.4%; and government income from property and entrepreneurship 1.4%.

Account 3—Domestic Capital Formation: It is a consolidated capital account. In addition to the capital formation of enterprises proper, it includes enterprise undertaken on behalf of households, private non-profit institutions and the government. The debit side of the account gives a comprehensive statement of gross domestic capital formation, and on the credit side the sources for financing them are listed. The gross domestic capital formation amounted to 4,064 million dollars in Taiwan in 1955, of which, 85.8% occurred in fixed capital formation and 14.2% in increase of the stocks. 34.1% of it was financed by depreciation

provisions; 30.5% by private saving; 7.6% by government savings; and the balance was financed by surplus of the nation on current account.

Account 4—Households and Private Non-Profit Institutions: The account shows the incomes of households and private non-profit institutions derived from all sources and the disposition of these incomes among consumption expenditure, direct taxes, current transfers to government and savings. In Taiwan, income of households and private non-profit institutions amounted to 21,915 million dollars in 1955. The sources were roughly the same as the distribution of national income given above. As to the disposal of these incomes, 91.9% of them was used in consumption expenditure; 1.3% is direct taxes payment; 1.1% in other current transfers to government; and the balance, about 5.7% came out as savings of this sector.

Account 5—Government: This account is identical with the households and private non-profit institution account in nature. It shows the incomes of government derived from all sources on the credit side and the disposition of these incomes among consumption expenditure, subsidies, current transfers to households, interest on public debt and savings on the debit side. In Taiwan, the income of government in 1955 was 5,364 million, derived mostly from indirect taxes (74.2%). Only 15.2% of it came from direct taxes, 6.1% of it from income from property and entrepreneurship, and the rest from other current transfers from households. As to the disposal of these incomes, 89.3% of them was used in consumption expenditure, 2.5% in interests on public debt, 2.4% in subsidies and transfers to households, only 5.7% formed as saving of this sector.

Account 6—External Transactions: This last account represents a consolidation of the external accounts of the various sectors. The items included are essentially those relating to goods and services exported and imported, factor income payments to the nation are shown net on debit side. The balance of the items in this account is described here as the surplus of the nation on current account. In 1955, Taiwan's foreign trade showed an 1,114 million dollars unfavourable balance, the net income payment to the nation also showed a 4 million dollars in the negative. So the surplus of this current account is—1,118 million dollars in total.

Account 1. Domestic Product

Unit: Million N.T.\$ (in terms of current prices)

	1951	1952	1953	1954	1955		1951	1952	1953	1954	1955	
1.1 Gross domestic product at factor cost (2.9)		9,664	13,881	18,791	19,970	23,966	1.4 Private consumption expenditure (4.1)	7,074	10,366	15,475	17,194	20,147
1.2 Indirect taxes (5.7)	1,169	1,999	2,425	3,296	3,978	1.5 General Gov't consumption expenditure (5.1)	1,875	2,693	3,145	3,935	4,792	
1.3 Less subsidies (5.2)	12	130	13	108	55	1.6 Gross domestic capital formation (3.1)	1,308	2,019	2,540	2,737	3,487	
						1.7 Increase in stock (3.2)	1,089	1,445	1,292	1,399	577	
						1.8 Exports of goods and services (6.1) Expenditure on gross domestic product and imports	1,137	1,432	2,079	1,631	2,122	
						1.9 Less: imports of goods & services (6.3)	1,662	2,205	3,328	3,738	3,236	
Gross domestic product at market prices	10,821	15,750	21,203	23,158	27,889	Expenditure on gross domestic product	10,821	15,750	21,203	23,158	27,889	

Account 2. National Income

	1951	1952	1953	1954	1955		1951	1952	1953	1954	1955
2.1 Compensation of employee (4.5)	3,705	5,247	6,864	8,262	9,236	2.9 Gross domestic product at factor cost (1.1)	9,664	13,881	18,791	19,970	23,966
2.2 Income from farms, professions and other unincorporated enterprises (4.6)	3,550	5,335	7,740	7,042	8,460	2.10 Net factor income payments from the rest of the world (6.2)	—6	—3	—3	—4	—4
2.3 Income from property (4.7)	1,217	1,895	2,877	3,173	4,145	2.11 Less provisions for the consumption of fixed capital (3.3)	716	831	906	1,159	1,401
2.4 Saving of corporations (3.4)	59	64	—	—	—	Net national product at factor cost	8,942	13,047	17,882	18,807	22,561
2.5 Direct taxes on corporations (5.8)	139	261	230	268	531						
2.6 General Gov't income from property and entrepreneurship (5.6)	282	256	192	165	325						
2.7 Less interest on the public debts (5.4)	10	11	29	103	136						
2.8 Less interest on consumers' debt (4.8)	—	—	—	—	—						
National income	8,942	13,047	17,882	18,807	22,561						

Account 3. Domestic Capital Formation

	1951	1952	1953	1954	1955		1951	1952	1953	1954	1955
3.1 Gross domestic fixed capital formation (1.6)	1,308	2,019	2,540	2,737	3,487	3.3 Provisions for the consumptions of fixed capital (2.11)	716	831	906	1,159	1,401
3.2 Increase in stocks (1.7)	1,089	1,445	1,292	1,399	577	3.4 Saving of corporations (2.4)	59	64	—	—	—
Gross domestic capital formation	2,397	3,464	3,832	4,136	4,064	3.5 Saving of households and private non-profit institution (4.4)	1,084	1,528	1,439	655	1,238
						3.6 Saving of general gov't (5.5)	7	266	235	211	307
						3.7 Less surplus of the nation on current account (6.4)	—531	—776	-1,252	-2,111	-1,118
Finance of gross domestic capital formation	2,397	3,464	3,832	4,136	4,064						

Account 4. Households and Private Non-Profit Institutions

	1951	1952	1953	1954	1955		1951	1952	1953	1954	1955
4.1 Consumption expenditure (1.4)	7,074	10,366	15,475	17,194	20,147	4.5 Compensation of employees (2.1)	3,705	5,247	6,864	8,262	9,236
4.2 Direct taxes (5.9)	162	230	393	349	283	4.6 Income from farms, professions and other unincorporated enterprises (2.2)	3,550	5,335	7,748	7,042	8,460
4.3 Other current transfers to general gov't (5.10)	170	417	254	345	247	4.7 Income from property (2.3)	1,217	1,895	2,877	3,173	4,145
4.4 Saving (3.5)	1,084	1,528	1,439	655	1,238	4.8 Less interest on consumers' debt (2.8)	—	—	—	—	—
Disposal of income	8,490	12,541	17,561	18,543	21,915	4.9 Current transfers from general government (5.3)	18	64	72	66	74
						Income of households and private non-profit institutions	8,490	12,541	17,561	18,543	21,915

Account 5. General Government

	1951	1952	1953	1954	1955		1951	1952	1953	1954	1955	
5.1 Consumption expenditure (1.5)	1,875	2,693	3,145	3,935	4,792	5.6 Income from property and entrepreneurship (2.6)	(2.6)	282	256	192	165	325
5.2 Subsidies (1.3)	12	130	13	108	55	5.7 Indirect taxes (1.2)	1,169	2,000	2,425	3,296	3,978	
5.3 Current transfers to households (4.9)	18	64	72	66	74	5.8 Direct taxes on corporations (2.5)	139	261	230	268	531	
5.4 Interest on the public debt (2.7)	10	11	29	103	136	5.9 Direct taxes on households (4.2)	162	230	393	349	283	
5.5 Saving (3.6)	7	266	235	211	307	5.10 Other current transfers from households (4.3)	170	417	254	345	247	

Disposal of current revenue 1,922 3,164 3,494 4,423 5,364

Current revenue 1,922 3,164 3,494 4,423 5,364

Account 6. External Transactions (Rest of the World Account)

	1951	1952	1953	1954	1955		1951	1952	1953	1954	1955
6.1 Exports of goods and services (1.8)	1,137	1,432	2,079	1,631	2,122	6.3 Imports of goods and services (1.9)	1,662	2,205	3,328	3,738	3,236
6.2 Net factor income payments to the nation (2.10)	—6	—3	—3	—4	—4	6.4 Surplus of the nation on current account (3.7)	—531	—776	—1,252	—2,111	—1,118
						Net lending to the rest of the world	137	26	181	—676	356
						Less, net international transfers received	668	979	1,349	1,441	1,430
						Statistical Discrepancy	—	177	—84	6	—44

Current receipts from abroad 1,131 1,429 2,076 1,627 2,118

Disposal of current receipts from abroad 1,131 1,429 2,076 1,627 2,118

JAPAN'S FOREIGN TRADE IN 1956

By a Japanese Trade Analyst

Japan's foreign trade of 1953 was marked by the increase of imports on account of the vigorous domestic demands. It was aggravated conspicuously by the unavoidable emergency imports of food owing to her poor harvest. Since the middle of 1954, however, the disinflationary policy was successfully pursued. Consequently, imports were restrained; exports rose; and the balance of payments gradually improved. Especially in 1955, exports were 23.4 percent higher than the previous year as compared with a 3.2 percent rise in imports, the balance of the visible trade registering a surplus for the first time since the war. The foreign currency holdings also increased gradually from \$779 million in May 1954 to \$1,455 million in April 1956.

Such favorable trend in foreign trade had been maintained throughout 1956. Exports continued to rise, or 24.4 percent higher than in 1955. What is noticeable is that imports which had been leveling off up to that time turned to a 30.7 percent increase. Thus, although the scale of trade remarkably expanded, the rise of imports exceeded that of exports, which resulted in an unfavorable visible trade and a decrease of the surplus by \$200 million to \$293 million in the balance of payments.

Changes in the Background of Foreign Trade

Whereas the foreign trade of Japan maintained a favorable tendency in 1956, striking changes were seen

in the background from that of 1955. As the most important factors of the sharp increase in exports in 1955, firstly vigorous investments and consumption in the United States and the European countries and the increase of imports in the Southeast Asian countries attended with their development plans are pointed out. Secondly, it is mentioned that, whereas export reserves of the Western countries were prevented to grow on account of the active domestic demands, in Japan investments were conservative, consumption did not much swell and prices were stabilized as compared with those of the other countries. The fact that the expansion of the Japanese domestic economy was sound and stable resulted in the slightest increase of imports.

In 1956, the United States and the European countries sustained a so-called "heights plateau"; therefore, our exports to these countries had been mounting. In the latter half of that year, however, the growth of equipment investments in these countries became progressively less, their export reserves recovering. Exports of production goods of Japan experienced, accordingly, considerable difficulties due to the emergence of overseas competitors.

In many of the Southeast Asian countries, on the other hand, their exports decreased and foreign currency holdings declined, so that the import restriction was generally—not only consumption goods—strengthened. As a result, our

exports to those countries could not enjoy such outstanding expansion in 1956 as in 1955.

The Japanese economy which experienced a sound development in 1955 attained a rapid expansion in 1956. Production and investments rose 21 percent and 78 percent respectively; consumption expanded sharply. A considerable amount of export goods were, therefore, consumed domestically. For instance, exports of iron and steel, which increased 55 percent in 1955 decreased approximately 30 percent in 1956 due to the pressure of domestic demands. On the contrary, imports advanced in order to meet subsequent swelled domestic requirements.

sterling settlements from open account. Naturally exports to the open account area fell 20 percent.

Import exchanges increased 33.6 percent as compared with the previous year. Especially an advance of imports in sterling was outstanding, or 62.4 percent higher than 1955. Although the fact that the trade settlement formula with the Western countries was switched over to sterling settlements is taken into account, the advance of imports from the sterling area was remarkable. The sterling holdings, therefore, declined from £98 million in January 1956 to £33 million in December, the same year. The total foreign currency holdings increased by \$118 million during a year to \$1,435 million at the year end.

Table 1
Foreign Exchange Receipts and Payments

(in millions of dollars)

	Receipts			Payments			Excess of receipts or payments (—)
	Visible exports	Invisible exports, donations and capital transactions	Total	Visible imports	Invisible imports, donations, and capital transactions	Total	
1950	772	235	1,008	645	31	677	331
1951	1,297	943	2,240	1,725	184	1,909	331
1952	1,289	949	2,239	1,718	206	1,924	314
1953	1,156	963	2,120	2,100	212	2,313	-193
1954	1,532	776	2,309	1,961	247	2,209	99
1955	1,954	713	2,667	1,848	325	2,173	493
1956	2,402	822	3,224	2,470	461	2,931	293

Such tendencies were remarkable in the latter half of 1956. Whereas exports in the latter half increased 20 percent as compared with the same period of 1955, imports showed a 38.6 percent rise. Imports of raw materials were, among others, very high. The inventory of raw materials was decreased to a considerable extent owing to the disinflationary policy in 1954, thus requiring a replenishment. To boot, the expansion of the domestic economy and the production growth contributed to the sharp import rise.

With regard to export and import prices, export prices which continued to level off in 1954 and 1955 registered a 4.4 percent rise on account of the price jump of metals, metal products and ceramics, while import prices fell 2 percent reflecting the slump of textile prices. Consequently, the terms of trade turned favorable, the Japanese foreign trade showing an advantageous position on the price side, as compared with the previous year.

The year 1956 saw, on the whole, a continuing favorable foreign trade. Nonetheless, the unfavorable conditions having been gradually manifest, the future outlook does not warrant optimism.

Receipts and Payments of Foreign Exchange

The receipts and payments of foreign currency exchange of 1956 showed \$3,224 million for the former and \$2,931 million for the latter, witnessing a surplus of \$293 million. Of the receipts, export exchanges indicated \$2,402 million and import exchanges \$2,470 million, the balance of foreign trade exchange registering a deficit of \$68 million. It was a decrease of \$174 million as compared with a surplus of \$106 million in 1955.

The review of Japanese exports by currency shows that exports in dollars were 45 percent higher than those of 1955, constituting 46 percent of the total export. Export exchanges in sterling also rose 24.3 percent, which was accounted for by the fact that trade settlements with Germany, Thailand, Sweden and Italy were switched over to

Area Pattern of Foreign Trade

The most striking feature in 1956, as compared with 1955, was the increase in the level of total exports to the countries of Africa. They were 90.9 percent more than a year ago. This reflected mainly a rush of vessel exports due to a world-wide tanker boom, as is seen by the fact that export to Liberia rose more than threefold.

Exports to the United States maintained the same level of increase as that of 1955, owing to a continuing prosperity of that country and a large scale economic expansion in Canada. Exports of foodstuffs, textiles and other consumption goods increased strikingly despite the import restriction in these countries.

As to exports to European countries, they increased except those to the Netherlands. Exports to the United Kingdom, however, registered no more than a 4 percent increase owing to her inactive imports caused by the tight money.

Exports to the adjacent countries such as Korea, Communist China, Ryukyu, Formosa and Hongkong advanced. Exports to Southeast Asian countries, on the other hand, did not experience so much growth as were anticipated, to Burma and Pakistan falling. Exports to Australia and New Zealand decreased to a large extent on account of their import restriction.

To Argentina, exports dropped to half of those in 1955. This resulted in a 1 percent fall of the total export to South America, in spite of the increase of exports to the other countries of South America.

Imports witnessed a sharp increase except those from the Southeast Asian countries and South America. Imports from North America, one of the largest import markets to Japan, rose to a large extent, including iron ore and iron scrap as principal import articles.

Machinery from the European countries, raw cotton from Egypt, and wool and wheat from Australia, all these im-

ports rose steeply. Japan enjoying bumper crops during the past two years, imports of foodstuffs considerably fell, especially rice from the Southeast Asian countries such as Thailand and Formosa.

Table 2
Exports by Country
(In millions of yen)

Country	1955 (A)	1956 (B)	Ratio to the total	B's increase or decrease (-) ratio to A
Total	723,816	900,229	100.0%	24.4%
Asia	303,460	367,989	40.0	21.3
Southeast Asia	203,270	235,173	26.1	15.7
Korea	14,218	22,898	2.5	61.0
Communist China	10,277	24,242	2.7	135.9
Ryukyu	18,288	22,241	2.5	21.6
Hongkong	31,702	48,406	5.4	52.7
Formosa	22,978	28,029	3.1	22.0
South Viet-Nam, Cambodia, Laos	13,241	23,474	2.6	77.3
Thailand	22,691	21,922	2.4	-3.4
Malaya	4,852	5,652	0.6	16.5
Singapore	21,355	22,396	2.5	4.9
Philippines	18,651	19,981	2.2	7.1
British Borneo	377	366	—	-2.9
Indonesia	23,297	27,282	3.0	17.1
Burma	13,786	13,057	1.5	-5.3
India	30,503	37,907	4.2	24.3
Pakistan	15,839	6,363	0.7	-59.8
Ceylon	7,353	8,733	1.0	18.8
Iran	8,072	6,877	0.8	-14.8
Saudi-Arabia	2,372	2,932	0.3	23.7
Turkey	1,272	2,290	0.3	80.1
Europe	74,086	90,135	9.8	19.1
Sweden	4,815	5,880	0.7	22.1
UK	21,876	22,749	2.5	3.9
Netherlands	9,627	9,646	7.2	0.2
France	4,182	5,056	0.6	20.9
West Germany	9,058	13,106	1.4	35.5
Italy	2,846	6,005	0.7	111.0
North America	191,536	234,306	26.0	22.3
Canada	16,254	24,885	2.8	53.1
USA	161,722	195,590	21.7	20.6
Mexico	2,656	2,548	0.3	-4.0
Cuba	1,747	1,366	—	-21.8
South America	53,533	48,273	5.4	-19.2
Peru	1,796	3,010	0.3	67.6
Chile	1,401	2,682	0.3	91.4
Brazil	12,032	16,256	1.8	35.1
Argentina	28,485	14,016	1.6	-50.8
Africa	74,009	141,300	15.7	90.9
Egypt	5,124	3,741	0.4	-27.0
Nigeria & Gold Coast	22,034	26,621	3.0	20.8
Liberia	19,060	81,233	9.0	326.2
Belgian Congo	1,226	1,361	—	11.0
Union of South Africa	10,382	12,465	1.4	20.4
Australia & Oceania	27,181	18,227	2.0	-32.9
Australia	19,842	11,114	1.2	-44.4
New Zealand	2,833	2,638	0.2	-24.6
Hawaii	2,478	2,499	0.3	-66.1

Table 3
Imports by Country

(In millions of yen)

Country	1955 (A)	1956 (B)	Ratio to the total	B's increase or decrease (-) ratio to A
Total	889,715	1,162,704	100.0%	43.6%
Asia	325,421	377,253	32.4	7.0
Southeast Asia	189,834	217,261	18.7	14.4
Korea	3,434	4,004	0.3	16.6
Communist China	29,080	30,113	2.6	3.6
Ryukyu	5,738	7,990	0.7	39.2
Hongkong	2,221	6,725	0.6	202.9
Formosa	29,116	16,383	1.4	-43.7
South Viet-Nam, Cambodia, Laos	1,982	2,029	0.4	2.4
Thailand	22,841	12,641	1.1	-44.7
Malaya	33,416	38,986	3.4	16.7
Singapore	5,892	10,933	0.9	85.6
Philippines	32,023	42,033	3.6	31.3
British Borneo	7,707	10,997	0.9	42.7
Indonesia	29,216	32,035	2.8	9.6
Burma	16,480	15,254	1.3	-7.4
India	27,823	37,229	3.2	33.8
Pakistan	16,951	18,224	1.6	7.5
Ceylon	989	1,172	0.1	18.5
Iran	7,920	6,142	0.6	-22.5
Saudi-Arabia	35,169	49,784	4.3	41.6
Turkey	396	378	—	—
Europe	62,999	83,334	7.2	32.3
Sweden	1,712	2,508	0.2	46.4
UK	13,650	23,969	2.1	75.6
Netherlands	4,129	4,361	0.4	5.6
France	5,507	7,774	0.7	41.2
West Germany	16,648	20,221	1.7	21.5
Italy	4,717	3,513	0.3	-25.5
North America	367,558	516,063	44.4	40.4
Canada	39,175	51,885	4.5	32.4
USA	278,021	383,259	33.0	37.8
Mexico	30,230	46,119	4.0	52.6
Cuba	9,906	22,138	1.9	123.2
South America	37,432	45,960	4.0	22.8
Peru	3,880	9,243	0.8	138.3
Chile	278	1,698	0.1	610.8
Brazil	21,340	18,075	1.6	-15.3
Argentina	8,006	12,963	1.1	61.9
Africa	22,664	36,520	3.1	61.1
Egypt	10,643	15,505	1.3	45.7
Nigeria & Gold Coast	62	224	—	—
Liberia	19	484	—	—
Belgian Congo	45	58	—	—
Union of South Africa	6,295	9,492	0.8	51.4
Australia & Oceania	73,569	103,542	8.9	40.7
Australia	63,974	89,436	7.7	39.8
New Zealand	2,419	3,387	0.3	40.0
Hawaii	365	381	—	—

Commodity Pattern of Foreign Trade

The striking feature of exports of 1956, seen in terms of commodity, was a decrease of iron and metals on the one hand, and a sharp rise of vessels, cement and a favorable tone of consumption goods including textiles on the other.

Exports of textiles amounted to Y313,600 million (\$871 million) or only 16 percent higher than the previous year.

They, however, still form a majority of Japanese exports. Exports of cotton fabrics to Hongkong, Singapore, Ceylon, South Viet-Nam and Indochina advanced sharply, replacing iron and steel exports as the most important export goods. It is said that some of the exports to Hongkong and Singapore were reexported to the Southeast Asian countries. Exports of raw silk and staple rayon decreased to some extent as compared with the previous year, while exports of silk fabrics, rayon fabrics and spun rayon fabrics were more than 40 percent higher than in 1955. The chief destinations of the latter were the United States, Hongkong and the countries of Africa. Exports of iron and steel, which registered a 55 percent increase in 1955 as compared with the previous year ranking first in the export commodities, fell 14 percent to amount to ¥80,400 million (\$223 million). This was caused by the fact that the increase of domestic demands restrained the growth of steel exports, and that the European countries recovered their export reserves of iron and steel owing to a slowing in the rise of investments. Moreover, exports of non-ferrous representing a decrease of 24 percent, the total export of metals was 12 percent lower than the previous year.

Of machinery, vessels fully enjoyed an unparalleled export boom and attained a spectacular jump. They rose 233 percent as compared with the previous year ranking

second in cotton fabrics; consequently Japan became the largest export country of vessels. Exports of textile machinery, which dropped sharply in 1955, witnessed a 38 percent rise in 1956. As a result, the total export of machinery increased twofold, or 20 percent of the total export.

Cement must be mentioned as one of the sharply grown export items in 1956. It still constituted no more than 1.5 percent of the total export, but it indicated a surprising increase ratio of 70 percent. The rise is attributable to the fact that Communist China emerged as a new market for our cement exports as well as to the increase of cement exports to Indochina, Korea and Ryukyu.

In the export of foodstuffs, a 60 percent increase of fish exports was noticeable. Especially those to the United States, Canada and the United Kingdom increased strikingly, occupying 68 percent of the total fish export.

Then how was Japanese imports, in view of commodity, last year? Imports of foodstuffs experienced a sharp decrease thanks to bumper crops during the past two years. On the contrary, imports of raw materials increased to a large extent on account of active investment demands in the country. Particularly noticeable were imports of iron scrap, non-ferrous metal ore and petroleum.

Table 4
Exports by Commodity

(In millions of yen)

	Unit	Quantity		Value		Ratio to the total	B/A
		1955	1956	1955 (A)	1956 (B)		
Food & foodstuffs				49,007	64,757	7.2	132.2
Tea	tons	155,108	196,489	27,226	43,427	4.8	159.5
Fish	1,000 lbs	31,954	22,579	3,510	2,035	0.2	57.9
Textile & products				269,786	313,587	34.8	116.2
Raw silk	bales	86,712	74,998	18,005	15,046	1.7	83.5
Cotton yarn	1,000 lbs	26,226	27,294	8,756	9,448	1.1	108.0
Rayon yarn	"	18,046	18,591	3,231	3,253	0.4	100.4
Spun rayon yarn	"	39,224	33,536	5,897	5,779	0.6	97.8
Cotton fabrics	1,000 sq/yds	1,138,829	1,262,049	82,757	95,989	10.7	116.0
Silk Fabrics	"	30,022	47,884	5,662	9,074	0.9	142.4
Rayon fabrics	"	342,549	438,105	21,847	31,652	3.5	144.9
Spun rayon fabrics	"	521,391	695,160	29,667	44,046	4.9	148.5
Clothes				38,377	44,128	4.9	115.1
Chemicals				33,751	38,403	4.3	113.8
Chemical fertilizer	tons	762,875	919,490	15,010	17,923	2.0	119.2
Non-metal mineral products				30,625	41,241	4.6	134.6
Cement	tons	1,206,244	2,111,670	8,098	13,681	1.5	168.6
Ceramics				15,106	17,818	2.0	118.0
Metal & products				138,942	122,369	13.6	88.1
Iron & steel	tons	1,988,521	1,290,540	93,418	80,420	8.9	86.2
Non-ferrous		77,190	41,548	23,678	18,077	2.0	76.0
Metal products				21,845	23,872	2.7	109.5
Machinery				88,835	174,095	19.3	195.7
Textile machines & parts thereof				9,562	13,203	1.5	138.1
Sewing machines		1,535,865	1,484,658	12,523	12,322	1.4	98.3
Vessels		348	786	28,147	93,590	10.4	332.5
Others				112,870	145,777	16.2	129.4
Lumber	M 3	442,008	546,344	10,438	10,257	1.1	98.3
Toys	tons	47,352	61,001	15,294	19,951	2.2	130.3
Venner	1,000 sq/ft	629,739	700,909	13,153	15,390	1.7	117.5
Total				723,816	900,229	100.0	124.4

Table 5
Imports by Commodity
(In millions of yen)

	Unit	Quantity		Value		Ratio to the total	B/A
		1955	1956	1955 (A)	1956 (B)		
Food & beverages							
Rice	tons	1,246,384	759,610	224,992	200,990	17.3	89.3
Barley	"	576,442	922,414	14,346	22,317	3.4	55.6
Wheat	"	2,287,453	2,277,022	60,275	59,541	1.9	155.6
Sugar	"	1,070,198	1,202,228	41,722	46,177	5.1	98.4
Textile raw materials							
Rayon pulp	tons	78,175	126,515	5,870	9,542	2.4	132.7
Wool	1600 lbs	205,359	291,671	59,196	79,707	6.9	134.7
Raw cotton	"	1,090,034	1,496,116	137,961	172,940	14.9	125.2
Hemp	"	117,856	218,895	7,823	9,061	0.8	115.8
Metal ore & scrap							
Iron ore	tons	5,459,458	7,869,496	29,354	52,747	14.1	245.8
Iron scrap	"	1,286,959	2,583,542	22,951	66,027	4.5	179.8
Non-ferrous metal ore	"	1,021,375	1,679,421	12,063	27,820	5.7	287.7
Non-metals							
Phosphate ore	tons	1,646,463	1,686,484	12,147	14,935	2.4	135.8
Salt	"	2,025,019	2,303,800	7,775	10,783	0.9	123.5
Fuels							
Coal	tons	2,861,923	3,821,168	104,040	148,553	12.8	142.7
Petroleum	kl	12,144,718	15,130,332	81,863	112,824	2.8	161.0
Other raw materials							
Raw hides	tons	61,763	76,429	8,055	10,955	9.7	136.5
Soya bean	"	808,177	717,081	35,368	30,473	2.6	85.2
Crude rubber	"	87,669	106,881	23,852	26,457	2.3	110.9
Lumber	M'3	2,051,859	2,586,015	22,243	29,189	2.5	131.2
Chemicals							
Potassic manure	tons	714,254	851,246	40,482	58,789	1.4	145.2
Machinery							
Others							
Beef tallow	tons	117,382	105,592	47,665	58,021	5.0	135.9
Total				9,110	80,609	0.7	121.7
				7,981	100.0	6.9	188.1
				889,715	1,162,706	0.7	86.8

Imports of foodstuffs decreased except barley. Rice imports, above all, fell to half, especially from the United States, Thailand and Formosa. Imports of foodstuffs constituted 30 percent of the total import in 1955, but it was only 17 percent last year.

Imports of textile raw materials rose 33 percent, and constituted 25 percent of the total import. Raw cotton imports saw a decrease in 1955, while in 1956, it ranked first of the import items reflecting the rising purchases from the United States, Mexico and Pakistan. Imports of iron ore, iron scrap and non-ferrous metal ore increased to a large extent as a result of vigorous domestic equipment investments.

Imports of the other raw materials, except soya beans, registered an increase. Particularly petroleum imports in 1956 were 37 percent more than the previous year, holding 10 percent of the total import.

It is worthy of special mention that Japanese imports in 1956, when broken down by commodity, were characterized by the sharp increase of raw materials. The 1955's export advance was due, largely, to the favorable business conditions of the overseas countries and the soundness in import accretion was attributable to the moderate expansion of the domestic economy.

Because of the tight money policy pursued by the government from October 1953, prices were stabilized lower since 1954 through the first half of 1955, production being similarly lower. Thereafter, however, the stagnation of the economy turned again expansion in the latter half of 1955

owing to the export improvement. Nevertheless, in 1955, imports of raw materials were maintained low and the raw materials inventory decreased to a large extent, consequently a large quantity of raw material imports were required in order to cover the inventory shortage and furthermore to keep pace with the production accretion. This was reflected in the rush of imports in 1956.

Outlook of 1957's Foreign Trade

The Japanese foreign trade continued to expand. It has been changing gradually, however, since the deficit of the visible trade again proved considerable in the latter half of 1956, and some precautions are now being required. There emerged a pessimistic view on our foreign trade that since the rise of exports has gradually moderated due to the prosperous business conditions in the country and the import restriction abroad, and imports have continued to swell owing to vigorous domestic demands, the international balance of payments will therefore go into the red.

Such view was justified in the first quarter of 1957. Exports (in foreign exchange) of the period January-March in 1957 rose 16.6 percent as compared with the same period of 1956, while the rise of imports showed 59.4 percent. This resulted in a deficit of \$184 million in the visible trade and \$131 million in the balance of payments and a decrease of \$250 million in the foreign currency holdings.

As far as Japanese exports are concerned, there are not so many pessimistic factors. The latter half of 1956 saw a 15.7 percent export increase as compared with the

previous half, and this year has been still experiencing its advance. Exports of iron and steel were slowed down due to the pressure of supply-demand situation in the country, while those of textiles were active. The import restriction of the United States to Japan was a threat to our country, but exports of consumption goods to the United States sustained an increase, which is expected to continue barring the recession of the United States economy. It is a problem to Japan that the Asian countries are imposing import restrictions. However, there is a possibility for our exports to these areas to grow further considering the fact that exports to Communist China have been expanding and the CHINCOM is relaxed. Such being the case, it may be said that Japan enjoyed brisk exports even though with some questions therein. And so will she do in the near future.

Imports are, on the other hand, a debatable question. Some optimists view that imports will decline shortly since the rise of imports of raw materials in 1956 was extraordinarily high exceeding by far the economic expansion. The others forecast that they would not decline as long as the vigor of equipment investments is maintained, because such swelled imports are necessary to meet the existing inventory shortage, and that the rise cannot necessarily be said to be extraordinarily high in terms of Japan's economic scale.

The rise of imported raw materials inventory was 45 percent against a 20 percent increase of production. In view of the above fact, inventory is excessive; and the fact the Suez crisis also contributed to the speculative import rise should be also taken into consideration.

On the other hand, swelling domestic demands were beyond anticipations, the index of imported raw materials consumption being steeply rising. As a result, despite the rising raw material imports, the index of the ratio of imported raw materials inventory did not show a larger increase. Therefore, so long as domestic demands mount, raw material imports would not subside. The inventory of some materials such as phosphate ore is excessive, but that of the others involving coal and iron ore proves deficient.

On balance, the outlook of the Japanese foreign trade in 1957 is not as bright as it was during the past two years. Export is, however, maintaining a still higher level, and believed likely to do so in the future if the world business conditions keep favorable. Rising imports would be checked inevitably, if the forecast proves it right that the domestic equipment investments have reached a peak. It goes without saying that when the fever of domestic business activity overheats to the extent that it threatens to aggravate the balance of payments considerably, an adjustment through tight money is then required.

ECONOMIC SITUATION IN JAPAN FOR FIRST HALF OF 1956/57

In reviewing the economic trend during the fiscal half year ended March 31, 1957, we find that Japan continued to attain steady economic progress in every aspect, while the world economy has begun to slacken its tempo of expansion. Especially, the expansion of Japan was stirred by the Middle East troubles last fall, and in addition, by the expectation of the positive policy of the former Ishibashi Cabinet. In the course of this rapid and intensive economic improvement, however, there have been appearing certain gloomy indications, which are giving rise to anxiety about the present prosperity. Although business indexes show the general growth of sales and profits, it should not be overlooked that the pace of development is slowing down, and at the same time, the business results differentials among industries or enterprises widen rapidly. Under such conditions, it is said that the good time of the boom is passing.

Problems with which Japan's economy is confronted are, first of all the shortage of electric power, coal and transportation capacity. Here is the bottleneck of the future economic development. Secondly, wholesale prices, mainly of productive goods, have gradually moved up since last year, worsening the international trade conditions to a considerable extent. The third feature is that the flourishing production and investment have been generating a rapid increase of import, to cause the outflow of the country's foreign exchange reserves, the balance of which decreased since the beginning of this year to US\$1,185 million at the end of March, though it marked the peak of US\$1,454 million in last April. In addition, new equipment installed in recent years has become operative, and consequently a tendency of over-production in certain consumption goods industries has come to the surface. Besides the aforementioned conditions, taking account of the keener export competition, which will be intensified when the European Com-

mon Market starts, one must conclude that Japan will enter into a very difficult economic situation.

As regards the financial features in this period, the tendency of tightening from around last June was promoted by the year-end influence after little seasonal slackness in autumn. After New Year, the money shortage was further accelerated by the excess receipt of Ministry of Finance Account, which amounted to Y119.6 billion, chiefly due to the increase of tax revenue from the favorable business activities and the influx to the Foreign Exchange Fund Special Account of enormous exchange proceeds resulting from the excess of import. In addition, industrial circles demanded much money to expand and improve plant and equipment or to carry on adequate operation. Such general conditions being reflected in banking accounts, total loans of all banks showed an increase of Y582.2 billion during the term, which exceeded the increase in deposit of Y543.8 billion. And the call money market in the first quarter of this year continued to be busy extraordinarily calling for ever higher money rates. To meet the situation, the monetary authorities released Y70 billion by means of bond buying operation during the period, but it proved to be far from satisfactory to alleviate the prevailing money shortage. Consequently, banks were forced to resort to the Bank of Japan for ready money, and the latter's loans rose by Y185 billion to Y276.3 billion at the term-end. The Bank of Japan note issue at the end of March reached Y666.2 billion, making an addition of Y66.7 billion in the term. In these circumstances, the Bank of Japan raised the financing rates by 0.365 per cent per annum, effective from March 20, the discount rate for commercial bills being raised to 7.665 per cent from 7.3 per cent, and at the same time, made a partial modification of the special penalty rate system, with a view to checking the overstrain of economic expansion and to maintain the existing prosperous plateau.

DEVELOPMENTS IN SINGAPORE

The question, "What does the P.A.P. stand for" is not only being asked by the public; it is being worked out by the Party itself following the return of Mr. Lee Kuan Yew in the recent Tanjong Pagar bye-election. Lee Kuan Yew and those in the P.A.P. who share his policy, welcomed the bye-election as a means of proving that he could win the election, that he could win it by his own strictly constitutional methods, and that he could win it on the issue of the support of the constitutional proposals less the "anti-subversive" clause. In this he succeeded. Other branches of the P.A.P. who saw in it a chance of showing their more threatening methods and more extreme speeches, were excluded after the first week of the campaign and Lee Kuan Yew was able to assert and maintain control. But the question remained whether Lee represented the Party as well as his own constituency. The issue was put to the test at the Annual General Meeting when the Party policy was re-defined, and the new executive elected. The moderate group supporting Lee looking ahead to the City Council, Rural District and Legislative elections during the coming year wanted a clear policy on which to fight and to clear control of the executive which would ensure discipline behind the policy agreed by a democratically proven majority. But the Left-Wing of the Party sought to weaken the hold of the moderates of the leadership so that whatever the policy defined, they could turn it their way. They attempted to pack the meeting and only the rigid checking of membership cards, and the employment of the secret ballot (with polling booths and ballot boxes borrowed from Government) frustrated this attempt and 500 left the meeting.

Lee Kuan Yew proposed the policy motion, the essence of which was the achievement of a "independent, democratic, non-Communist, Socialist Malaya. He described the "smear" campaign which had been carried out in the branches against certain members of the executive, and to the allegations that the party was part of a Communist Front. This latter allegation he denied, but he said that the party must be "non-Communist" which he distinguished from "anti-Communist". He said that the Party must accept the method of change of government by constitutional means in contrast to the Communist method of permanent dictatorship. He asked those who supported the motion on policy to vote for the 8 members which the retiring executive were putting forward for election to the new executive. While the motion was passed by 1120 votes with 112 against and 279 abstentions, only 5 of the 8 names proposed by the executive were elected from the 30 candidates for the 12-man committee. Lee Kuan Yew was re-elected at the head of the poll, but Ong Eng Guan one of the most effective workers on the committee and opposed to the growing influence of the extremists, was not re-elected. 3 of the 4 new members represented the left-wing of the party who through the Cultural and Education Committee, and concentrating in certain branches had been reviving the type of propaganda which led up to the riots of October last.

The meeting was a defeat for the moderates who had not got the numbers in the executive for which they had asked. The extremists had given them the policy, had elected the moderates round whom the standing of the Party had been built, but kept them under the control of an extremist majority. When the committee met, the moderates announced that in the circumstances they did not

have the moral right to take office, and only at the next meeting were the new officers elected with T. T. Rajah, a lawyer, taking over from Lee Kuan Yew, and Tan Chong Kin becoming President. The assistant secretary had held the post of assistant to Fong Swee Suan, now detained, when he was secretary of the Bus Workers Union. Two others were officers of branches which had followed an extremist policy.

The effect, confirmed by the arrests to be discussed later, has been to weaken the influence of Lee Kuan Yew as a spokesman of what is the most difficult group to keep within democratic methods and to bring to accept democratic purposes. All three sitting members of the P.A.P. in the Assembly are in the minority in the party which has always prided—not to say, preened—itself on its discipline, and the Assembly men will find it more difficult to make independent statements in the Assembly. Moreover as the extremists have no full-hearted voice in the Assembly the discussions in the Assembly will be of less power in resolving actual political difficulties, and the extremists will turn their back on the Assembly to the task of organising for the election which can ensure hearing for their views at first hand. They are only going to maintain a moderate stand as long as they think it of value to conciliate the moderates in order to have them as spokesman, or as long as they fear the consequences of a split in the Party. As it was the moderate group who committed themselves fully to the policy of the constitutional agreement, the extremists may feel themselves less fully bound, and may attempt to re-open the issue. Events too have made clearer the paradox of their policy of merger with the Federation of Malaya accompanied by activities which give the Federation Government publicly palatable reasons for delaying the merger.

Arrests under the Public Security Act

On the night of August 21/22nd, there were 35 arrests under the Public Security Ordinance. 5 were members of the newly-elected executive of the P.A.P.; 11 were other officials of the P.A.P.; 15 were officers of certain trade unions; and four were on the staff of a political news-sheet published four times a week in Chinese. They were arrested not because of the positions they held, but as individuals for their individual acts in using their positions for purposes other than those of the organisation. The Chief Minister made it clear immediately that the police action was taken with the full support of Government. They were not timed because of any immediate threat of riots, or fear of disturbances in connection with the Merdeka celebrations in the Federation. Action was taken because their subversive activities had become more frequent and more blatant, and it was considered better to head them off before they could gain the momentum which they gathered with fatal consequences last year. In his Press Conference after the arrests, Mr. Lim Yew Hock said, "Government will take action at any time if there is a threat to the security of the country. . . . We have arrested those Communists of whose activities we have clear knowledge. . . . This is not an attack on genuine democratic Trade Union leaders who need have no alarm. . . . If the Communists penetrate any other political party, even the Labour Front, I would take similar action. . . . The Communist menace is always there. . . . You have got to do your damnedest to meet their threat. The Government has to show the

people that there is a better way of life than Communism".

On the day following the arrests, the Government published a White Paper in explanation of its action. Its introduction includes a general statement of the policy of peaceful penetration and exploitation of democratic opportunities which the Communists have followed since the introduction of the present constitution, and which is "particularly dangerous at a time of rapid political change and social adjustment, when national ambitions for self-government are being achieved". The Paper then quotes examples of the revival of this policy in spite of the arrests of last October. An M.C.P. document written in April 1957 defines their policy; "Our fundamental policy is to remain under cover and act with dexterity and cautiousness while we conserve our strength. Our basic strategy is to expand and consolidate the patriotic National United Front in order to mobilise the strength of the whole people". A later document describes how the M.C.P. sent ten people to join a farmers association, but advised them not to seek office immediately. They explain that they chose to penetrate the P.A.P. because it was the most "progressive" party, and that they must accept differences rather than split with the P.A.P. An earlier document had said that it was only because of lack of organisation that they did "not resort to armed struggle" after the failure of the constitutional talks in 1956. More recently an M.C.P. document of advice to the P.A.P. said, "We hold that it is important to maintain the armed struggle resolutely and we hope that everyone will support it directly. At the same time, we consider that apart from armed struggle, mass movement and mass struggle in the towns have also their great uses". The chief form of activity has been in the organisation of picnics for Communist indoctrination through songs and games and lectures. Even the games are given Communist associations. The line of one of the songs reads "Drive away the monkeys (i.e. the Europeans)—kill, and establish a people's government". The report continues to say that "there is known connection between underground elements of the M.C.P. and the groups now openly forming. For example, no less than 11 identified members of the secret Communist organisation are active in the trade union and political fields. If these Communist Front groups are allowed to develop and consolidate unchecked, they will very shortly become a most serious threat to security which could not be removed without a very strong risk of violence and bloodshed".

In the detailed analysis of penetration of the Trade Unions, it shows how the Singapore General Workers' Unions has attempted to take over the role and the tactics of the Singapore Shop and Factory Workers Union which was dissolved after its activities leading up to the riots of last year. The Trade Union Working Committee has been set up again under the same name as the similar organisation which was the cover for wide penetration last year. Former members of the S.S. & F.W.U. took over this existing S.G.W.U. They formed satellite groups of Unions; they brought the Unions into use as political instruments; they again tried to ally with the T.U.C. in order to control its activities and set them in their direction; and latterly have been organising the Communist indoctrination picnics and concerts of Communist content and association.

Similar tactics were used in the P.A.P. The same group worked through the so-called "Cultural and Education" Committee of the P.A.P. They published a paper independent of the Party newspaper; they established their own committees in the branches; they organised picnics and concerts for propaganda purposes. In July, they published an issue of their paper in defiance of the Central Committee; and adopted as their slogan "Intensify our Hsueh-Hsих", the

study for action slogan which dominated the Chinese Middle Schools last year. In a pamphlet announcing one of the picnics, the editor wrote, "We have decided to hold a large-scale picnic party to strengthen the unity of the Party members, to stabilise party organisation and enable the leftist group to make big strides for the future".

The conclusions of the White paper are these; "Once again a serious threat is developing. Communists and their agents are back in key positions, daily increasing their propaganda and their power, and steadily strengthening the extent of their control and thus again building up a united Communist Front". To meet this threat, "The Government stands for 'Operation Liberation' which seeks to liberate Singapore from those who would risk the peace and security of the people of Singapore in order to speed their path to power, and to force an alien and unwelcome ideology on a practical-minded community. . . . If at this stage in Singapore's political development, there has not been time for a strong public opinion to develop against the enticements and intimidations of Communists and their fellow travellers, the elected government in the interests of the people have an inescapable duty to step in and frustrate the attempts to create an essentially dictatorial Communist state."

Four more have been arrested since the original arrests, bringing the total to 39. Apart from some criticism that the suddenness of the arrests had not allowed time for the public to judge, the arrests have been accepted as a necessity. The memories of last October are too vivid not to set the background to these recent arrests. There has been no attempt by the P.A.P. branches or the Trade Unions affected to organise a campaign against the arrests, and while they demand public trial, they do not, as they have in the past, assert that government's charges are groundless. The only question they seek to raise is whether action under the Public Security Ordinance is the best in the circumstances. This is a change from the reaction of previous years, and is a measure of the progress in Singapore in taking the measure of the problems within. And it has led to a welcome insistence that there can be too much purely political activity and that the urgent economic and social problems get no less urgent as the population steadily grows from day to day, and the younger segments become an increasingly great proportion. One and not the most significant reflection of this feeling is the kite-flying on the part of certain groups of the Chinese Chamber of Commerce for a "National Party", a party for the national interest. While it may be a healthy reminder that parties are means and not ends in a democratic welfare state, there is little likelihood in Singapore, or anywhere else in a democracy, of the creation of a party to end all parties.

Relations with the Federation

With Independence in the Federation, there is an element of disappointment that Singapore is not sharing this spotlight in history with the Federation, but it is balanced by a realistic understanding that Singapore cannot, and should not, force herself on the Federation, and that the circumstances which favour a merger with the maximum of advantage to both territories have not yet been realised. The issue was raised in the Press by the news that the Federation Government were contemplating the introduction of a system of permits to cross the Causeway. (And it was given greater credence by the portcullis-like utilitarianism of the new Customs Buildings built astride the road at the Johore Bahru end of the causeway. A wonderful opportunity for a world-famous Gateway to Malaya has been lost). Opinion in Singapore, apart from that of UMNO was strongly against the proposal on the ground that the territories though more separate than ever in political organisation were otherwise too close for

such a system to be introduced. The subject was debated in the Legislative Assembly on a motion of congratulation to the Federation Government, which was linked with an expression of the hope that the two territories could look forward to a future of integration.

On the occasion of the attainment of Independence by the Federation of Malaya within the Commonwealth of Nations on 31st August, 1957, the Singapore Legislative Assembly, on behalf of the people of Singapore, sent to the Federal Legislative Council and the people of the Federation of Malaya greetings and congratulations at this historic time—the emergence of a new nation, taking its rightful place among the freedom-loving nations of the world; and good wishes for the future in which the peoples and Governments of both territories are inextricably bound, a future which therefore holds a challenge to good sense and tolerance which can only be successfully met by constant and unstinted goodwill, and by the closest of co-operation in realising the desire of the people of both territories; for it is the prime interest of both peoples to merge into a single political unit within which as one people with one outlook and purpose, all may share the joy and fruits of happy Merdeka.

Che Abdul Hamid bin Haji Jumat, the Deputy Chief Minister, said that there should not be too much talk of merger in the present state of public opinion in the Federation. Mr. William Tan of the Liberal Socialist Party said Singapore had enough urgent problems which she must solve by herself in her own interest irrespective of the issue of a merger. Looking to the future, one of the problems of the Assemblymen will be to remember that the Federation is an independent and separate state, and that they will not relish censorious advice from Singapore on matters not affecting Singapore directly.

Appointments

Sir Robert Black will be leaving Singapore at the end of the year to take over the post of Governor of Hongkong. Mr. W. A. C. Goode the present Chief Secretary will succeed Sir Robert. In the crucial months ahead until the new constitution comes into force, and the Yang di-pertuan Besar appointed, his experience of the rapid changes of the past two years and more, and his knowledge of the leaders will be invaluable asset. Mr. Nigel Morris is leaving September to take up a post in the Police Inspectorate at the Colonial Office. He is succeeded by Mr. A. E. G. Blades, who has until recently been Director of Special Branch, and

has been in Singapore before the occupation and continuously since the Liberation. He has no rival in his knowledge of the subversive forces at work in Singapore.

New Library

On August 16th, Mr. Lee Kong Chian laid the foundation stone of the new Raffles National Library Building on the site of the old St. Andrews School part of which has until recently been occupied by the St. John Ambulance Brigade, and part of which is still occupied by the British Council. The present Raffles Library is inadequate in space, and its present rooms are required for the expansion and overdue modernisation of Raffles Museum. In 1953 Mr. Lee Kong Chian gave \$375,000 to Government towards the building of a new free and multilingual library. There have been delays with the appointment of a new Librarian and with urgent priorities for other buildings, the laying of the foundation stone ends the delay, and building of the library which will cost \$2,500,000 will begin in September. In addition to its role as a lending library, the new building will house the Government archives, and will be the centre for a Mobile Library scheme to meet the needs of the growing number of residents in the rural area, and in line with the development of the Rural District Councils and the extension of Adult Education.

Telephone Strike Over

The strike of the outside labour of the Singapore Telephone Board ended on August 20th. There had been one serious act of sabotage with the cutting of a main trunk line in High Street. On August 12th the Board issued a notice that those who did not return to work within a week would be issued with a notice of dismissal. However, the resumption of negotiations made this unnecessary. The men have gone back from Singapore's most pointless strike on the understanding that the negotiations which Mr. Jamit Singh refused to begin when he called the strike will now begin. The pass for which Mr. Jamit Singh called the strike has been forgotten. After the loss of a month and a half's wages, the men resumed work with the negotiations yet ahead during which they have promised neither to strike nor to "go slow", and with a loan to cover a month's basic wages, and to be repaid over the next six months. If any of them thought they would get any satisfaction from hurting the public they have failed, because the telephone service has continued with the Military assisting. The telephone girls have carried on work in spite of attempts at intimidation and have called Jamit Singh's bluff.

HONGKONG'S BUILDING BOOM

Influx of capital from SE Asia has sustained the building boom here. Many construction companies have even established branch offices in Singapore to induce foreign investment in HK real estate. Since early this year, increasing number of local general merchants, importers and exporters have also diverted capital to buy properties. Local banks also provide additional demand for land which has become very scarce.

Up to the end of July, about \$90 million was spent by various real estate operators for the construction of 1,286 buildings. An estimated \$165 million will be spent by building development this year as compared with \$157 m. last year. Land prices have been stimulated to record

heights. Land in the Central district of HK Island skyrocketed to \$600 per square foot with more buyers than sellers. Next in popularity is land in the Mongkok district, particularly around the HK and Shanghai Bank Building, reaching a record figure of \$260 per sq. ft. North Point land is about \$120 to \$180 and approaching \$200 along King's Road; development of Chai Wan will further stimulate quotations for land in this area. Prices for other areas have also advanced to following record highs: Causeway Bay between \$120 and \$200, West Point and Shaukiwan \$50/\$75, Tsimshatsui \$130/\$250, Hunghom \$65/\$80 and Castle Peak Road \$100/\$150 per square foot. No further transaction was reported recently in Kowloon Tong and

Kowloon Tsai districts; restrictions on the height of building in these two splendid residential areas have discouraged further progress. What has been achieved in Kowloon Tsai during the last two years is very remarkable.

In most areas, endless number of old buildings are being pulled down to make room for taller structures. New skyscrapers under construction in residential districts, include several 8/9-storey buildings in mid-level on Caine, Bonham, MacDonnell and Robinson roads; about a dozen 12-18-storey structures from Causeway Bay to Shaukiwan; over ten 14/17-storey apartments in Tsimshatsui; and dozens of 8/12-storey blocks in Homantin, Hunghom, Tokwawan, Shamshui po, Mongkok and Castle Peak Road districts.

On the site formerly occupied by the Far East Motors, a 19-storey building to be called Far East Mansion will be built. The plan provides for two blocks to be linked on the ground and first floors with escalators running from an arcade on the ground floor to the shopping centre on the first floor. The block on the Nathan Road side will be used as a hotel and will have 320 rooms. The other block will have 180 residential flats. Other notable projects announced recently include the 16-storey Mirador Mansion on Nathan Road between Carnarvon and Mody roads, the 14-storey Comfort Building on Nathan Road next to the Telephone Building, an 11-storey building at 231 Nathan Road, a \$1½ million structure on Leighton Road and a \$5 million 13-storey hotel on King's Road opposite HK Electric Company's generating plant.

More office blocks are also being erected in the Central district of HK. Walls are going up on the steel framework of the new Jardine House. At the site of the new Chartered Bank Building, the steel structure is stretching upwards. Several blocks away on Queen's Road, the Yu To Sang Building is nearing completion while at its rear the old Tak Hing building has already been demolished. Other new skyscrapers in the Central district include the Central Building which will house the new Hongkong Hotel and the Li Po Chun Chambers next to the Marine Department. The long delayed work on the 34-storey Fu Centre which will cover the old site of the old Oriental Building and the present Butterfield & Swire offices will begin soon.

Government continues to build more offices in Central district. The West Wing of the Central Government Offices is now under construction and will be completed early in 1959. After completion, all Government offices now occupying private office space will be moved into this new wing. At the present rate of development and taking into consideration the redevelopment projects of HK Land Investment Company in Central district, there should be enough office premises by 1960. At present investment in office blocks is yielding an annual interest of about 20%. The owner of Man Yee Building spent \$8 m. on construction and \$6 m. in payments to former tenants as compensation and to lawyers, sinking a total of \$14 million in the venture. At present, monthly revenue from rental amounts to \$320,000 which represents an interest of 20% per annum.

A new feature in the construction of residential flats this year is the massive size of construction; there are few single-unit, 4/5-storey buildings. Business is almost monopolized by about a dozen large construction companies which resulted chiefly from the rising land price which forces operators to build higher in order to cut down the relative cost of land for each floor. Tall buildings in turn require

larger sites and bigger capital thus pushing small investors overboard. On the other hand, many contractors in view of the low buying power of prospective small owners are using the cheapest possible labour and materials and completing the work in the shortest possible time so that they might offer their "masterpieces" at a low price. Consequently, many tall buildings are far from solid in structure and definitely coarse in appearance.

Prices for flats however have come down. Most new flats are now on sale at \$12,000 to \$30,000 per flat; only a small number of apartments on the mid-level and in Causeway Bay and Tsimshatsui districts, which are of better construction and bigger in size, are priced over \$50,000 each. The Governor House with a private swimming pool between Bowen and MacDonnell Roads charges \$40,000 to \$60,000 per flat. In addition to these tall apartments, 6/8-storey cheaper Chinese-style buildings can be seen almost on every back street and prices vary from \$6,000 to \$10,000 per flat depending on the floor space. (A Chinese-style building has no room partitions; a single flat consists of one large space only).

The trend of building low cost flats has cut down the number of vacant flats on both sides of the Harbour. The Mirador Mansion is being offered at \$13,000 per flat; payments can be stretched over 24 months at about \$520 per month. One construction company is selling flats by rooms at prices between \$2,500 and \$3,000 per room. This offer is attractive to people who have some savings and to those who have left old buildings after receiving a few thousand dollars compensation money.

New buildings at \$3,000 per room and \$6,000 to \$30,000 per flat appear very cheap but taking into consideration the quality of these structures and the small floor space of each room, the relative value per square foot is indeed expensive. Yet small landlords are still able to get an interest of 20% per annum from letting these flats out at \$50 to \$100 per room. It is the tenant who suffers. A large number of tenants in these new flats came from old buildings; they are now paying more money for less space when compared with their former dwellings. Furthermore, the crowding of several families into a small flat and the squeezing of many bedspaces in a single room with everyone sharing a single toilet and using the same kitchen makes it difficult for the occupants to live together harmoniously. Many skyscrapers may become multi-storey slums.

What are the prospects of real estate development in the long run? Most operators believe that only a sudden political storm could lead the current boom to a bust. The effects of such a storm, if ever it comes, would be calamitous. Another cause for a possible bust is that speculators might liquidate their holdings if and when there appears any other investment outlet in Hongkong or in other countries. There is no indication of such an eventuality in the future. With local industries meeting selling resistance in various markets and HK's entrepot trade remaining at a sluggish level and with only few countries welcoming Chinese investments, Hongkong's real estate business will continue to attract capital from overseas Chinese as well as from local financiers and merchants. Recent drops in prices for structural steel and cement also indirectly help to retain the boom but land value will continue to go up while rental should decline depressing profit to a less attractive margin.

— Ricardo

HONGKONG INDUSTRIAL REPORTS

During the first 8 months this year, factories manufacturing garments, cotton cloth, cotton yarn and plastic goods enjoyed steady exports. Makers of rubber footwear, knitwear and gloves reported that demand from UK, Europe and other markets was not as strong as last year. Enamelware factories experienced a sluggish period during second quarter this year but recently increased production on better export demand. Last month, iron works had better business because scrap iron prices were at record lows while quotations for imported mild steel round bars rose making HK rounds more saleable.

At present there operate about 3,350 registered factories employing 147,000 workers. Exports of HK products average HK\$60 million per month. Recent establishments include a steel furniture factory, a wooden toy and a sports goods factory. Another new cotton spinning mill is under construction; it will have 15,000 spindles and 300 looms. An American pharmaceutical manufacturer invested several million HK dollars for a factory here to produce penicillin, streptomycin and other antibiotics. Major equipment, technicians and fine chemicals will come from US but local labour and resources will be mainly used. Construction of an air-conditioned factory is to start soon and production will begin in autumn of 1958. In Shatin, N.T., one of the principal British companies has set up a dyeing and finishing works.

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Local industrialists reiterate that there is a shortage of skilled workers in HK. One manufacturer recommended automation to combat this shortage and to improve the quality of products. Theoretically this is the ideal solution. But in practice there arise difficulties. Most factories still survive on cheap labour and have not the capital for automation. There is also the problem of buying electronics governed automatic machines.

It is ironical that in spite of the large number of unemployed labourers there should be a shortage of skilled workers especially when the "skill" required for jobs in weaving mills, garment factories and other light industries can be easily mastered by any ordinary worker after little training. A logical solution therefore is to train the unskilled workers here. The new Technical College with support from local manufacturers and businessmen will be able to provide local factories with more skilled hands within a few years. Many factories are training young men for various jobs but the practice is not yet widespread. Most industrialists here still do not realise that among measures to improve the quality and to increase the quantity of their output, staff-training is as important as investment in new machinery.

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During the first 8 months this year, export of HK cotton yarn was \$5 m or 7.2% better than same period last year. Taking into consideration the drop of price this year, the quantitative increase was actually more than 7.2%. Exports to Indonesia declined but local mills were able to increase exports to UK, Philippines, Burma and Cambodia in spite of keen competition from Pakistan products. On the other hand, local demand did not improve; weavers bought more Pakistan yarn because it is cheaper and piecegoods made from it also qualify for preferential tariff in Commonwealth markets.

Consequently, large spinners installed weaving equipment to provide demand for their own yarn and those which

already had weaving departments increased the number of looms. This development multiplied the output of cotton piecegoods the export of which during first 8 months totalled \$150 m, representing a rise of 50% over same period last year. Thailand and Malaya bought less from here but exports to UK, Indonesia, South Africa and Australia rose; US also started to buy cotton piecegoods from here. The prospect at present is encouraging; most weavers have enough orders on hand to keep their looms humming till end of next March.

The expansion of local weaving industry however is not without unhappy consequences. UK textile manufacturers have repeatedly attacked HK's exploitation of cheap labour and further tried to persuade UK Government to impose quota restrictions on import of HK piecegoods. Up to the present no such restriction has been introduced. A leading British firm here invested \$5 million for the construction of a large dyeing plant where locally manufactured grey cloth will be processed into finished goods for overseas markets. Thus the export of grey sheeting to UK for finishing there may not be necessary. The new factory was registered under the name of Jardine Dyeing and Finishing Company with Messrs. H. D. M. Barton and H. Sidbury as subscribers. Production will begin during second half of next year.

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Export of plastics products to Thailand, Ceylon, Burma and Indonesia this year is lower than during 1956 but improvement in shipments to US, UK, Malaya, Africa and Taiwan has been substantial enough to offset the decline; there was a 10% increase in total export value for the first 8 months against same period last year. Production of plastic combs, tooth brush, soap box and other simple articles has slowed down; factories are now making more plastic toys. During the year, many small factories sprouted up. While a few big factories lead the industry with new products, these small workshops make usually shoddy imitations of items manufactured by big firms and undersell them overseas.

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Hongkong toy manufacturers will display their products at a Toy Fair to be held at Harrogate, Yorkshire, early next year. Over 300 exhibitors will participate. In addition to HK products, toys from the Commonwealth, US, Japan and Germany will be exhibited but most of the toys (80%) on show will be of British manufacture. At present HK toys are popular in UK. British toy makers recently alleged that HK businessmen were substituting Japanese toys for HK products shipped to UK. The allegation was found to be incorrect.

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Several large garment factories are adding new machinery and equipment to meet the growing demand for shirts from US, UK, and other countries. They intend to handle the production, from cotton spinning, cloth weaving, cutting to sewing, all by themselves in order to standardise quality and cut down cost. A number of spinning and weaving mills which produce fine cloth have also started to make shirts for export. Competition is intensifying and soon small shirt makers may be forced out of business. Export of shirts during the first 8 months this year amounted to \$56.7 m, about \$10 m more than during the same period 1956.

HONGKONG GOVERNMENT REPORTS

AGRICULTURAL DEVELOPMENT

The total land area of the Colony is 396 square miles, or, 253,440 acres of which 12.9% is under cultivation. About 95% of the arable land lies below the 50 metre contour. About 73.4% of the land is covered with grass and small shrubs, and 8,100 acres or 3.2% is woodland. The bare and eroded land amounts to about 4.2% or 11,500 acres and the marshland and mangrove areas about 1.7% or 4,300 acres. The great majority of farmers in this Colony would be classified as small-holders in Europe since their average holdings scarcely exceed two acres.

RICE AND VEGETABLES

The area under rice during the 1955/56 season was estimated to be 23,353 acres. The total yield is estimated to be 28,071 metric tons of paddy which is the equivalent of 19,088 metric tons of milled rice. Tsun Wan, which was once the principal vegetable producing area in the Colony, is rapidly being converted into an industrial area. The decrease in the production of vegetables in this area, as compared with previous year, amounts to 880 metric tons. Fanling has become the main vegetable producing area. The total production from this district during 1955/56 amounted to 21,338 metric tons, 7,955 tons more than previous year. Next in importance as a vegetable producing area, is Sheung Shui. Many refugees have settled in this area. An increase of 2,000 tons over 1954/55 was registered. In the Castle Peak area 237 tons less vegetables were grown last year. In general the 1955/56 season was a good one for vegetable growing. The total production of 72,346 metric tons represents an increase of 10,553 metric tons compared with 1954/55.

The total quantity of vegetables imported and sold during 1955/56 amounted to 11,030,569 catties. The market value of these vegetables was H.K.\$2,085,838. The total weight of imported and locally grown vegetables marketed during 1955/56 amounted to 130,618,913 catties. The market value of these vegetables was H.K.\$22,086,476. Although production of vegetables was considered very good, marketing was not so successful. Owing to heavy imports of vegetables from China, prices fell and remained low for a considerable time. The production of vegetable seed is growing in popularity. In view of the uncertain market for fresh vegetables, this is considered "a step in the right direction". The types most favoured are Radish (summer), Chinese Kale, White Cabbage, Leaf Mustard, Garland Chrysanthemum, Chinese flowering cabbage and celery. There is a demand for good fresh seed in the Colony and inquiries for seed of Chinese vegetables are received from other countries.

EXPORT CROPS

Water Chestnuts: Approximately 204 acres were planted to this crop, as compared with 108 acres in the previous season. **Ginger:** The area under ginger was 42.5 acres and the total estimated yield 408 tons. **Chinese Turnips:** The two varieties of turnip grown locally are known as "Tai Tau Tsoi" and "Chai Tsoi". From the 46.5 acres planted 717 tons of turnips were harvested. **White Cabbage:** A limited quantity of white cabbage in the dry form was ex-

ported to the United States. **Miscellaneous Crops:** There are a number of other crops, such as, Radish, Yams, Mustard, Arrow-head, and Lotus roots which are grown locally and exported in small quantities to the United States. **Fruit:** Lychees, fresh for local consumption and canned or dried for export, are always in demand. Local production from about 9,000 bearing trees is roughly 670 tons of fresh fruit per annum. The total weight of agricultural produce (vegetables and fruit), for which comprehensive certificates of origin were issued, amounted to 1,625 metric tons during 1955/56; the total value was \$2.2 m. (\$1.7 m. from vegetables and \$0.5 m. from fruits).

FRUIT

There are in the Colony roughly 100,000 fruit bearing trees: sweet orange 8,800, tangerine 9,200, foreign lemon 300, local lemon 10,000, pumelo 600, mandarin 600, calamondin 1,800, kumquat 1,200, wongpei 5,000, lychee 5,500, longan 3,500, papaya 18,000, guava 17,000, banana 5,000, Chinese olive 4,000, carambola 1,000, peach 5,000, mango 1,000, yanmin 300, plum 500, persimmon 400, pear 300, and misc. (Jack-fruit, rose apple, custard apple, Japanese apricot etc.) 1,000.

To encourage the growing of more fruit in the Colony, a village orchard scheme was started. This meant that wherever suitable land, situated near a village, was available and the villagers were willing to co-operate by clearing the land, erecting the fencing, digging the holes and planting the trees, the Kadoorie Agricultural Aid Association supplied fencing material, citrus and other fruit seedlings free of charge. In all cases the work was supervised by a member of the Agricultural Division. During the period under review 8 village orchards were established and 12 more orchards were planned. In addition to the fruit seedlings, 22,000 pineapple suckers of the "Smooth cayenne" and "Sarawak" varieties were imported from Singapore and planted between the rows of citrus. There is a great demand on the local market for fruit and good prices can be obtained for any locally grown fruit, supplied fresh to the market. Citrus, in particular, sold very well during the Chinese New Year. Tangerines fetched from \$65 to \$130 per picul as compared with \$60 to \$100 in 1954/55; local lemons \$30 to \$50 (compared with \$20 to \$25); Japanese apricot \$60 to \$75 (\$55 to \$65); sweet orange \$150 to \$180 (\$100 to \$150). The total amount of fruit exported was 823.7 metric tons. This consisted of dried and preserved lychees, preserved apricots, lemons and wongpei.

KADOORIE AGRICULTURAL AID FUND

A gift of \$250,000 by Messrs. L. & H. Kadoorie, increased by Government by a similar sum, was the beginning of a fund which is now known as the Kadoorie Agricultural Aid Loan Fund. The Fund is operated by a committee of five members, with the Director of Agriculture as Chairman and Trustee. Interest free loans of up to \$2,000 for periods varying from 6 months to two years are made to farmers, to assist them to purchase draught animals, feed, fertilizer, seeds, implements etc. A statement of the Fund as it stands at present is as follows:-

No. of loans approved	Purpose of Loan	Amount issued
374	Purchase of livestock & housing	\$152,870.00
227	Purchase of livestock feed	142,180.00
31	Purchase of building material	5,780.00
6	Costs of land development	2,850.00
525	Purchase of seed & fertilizers	30,063.34
9	Purchase of insecticides	530.00
1,272	Total	\$334,253.34

In addition, 23,843 bags of cement were given free of charge by the Association through District Officers to farmers, for the improvement and extension of local public works. The water pumps which were presented to Government by the K.A.A.A. were put to excellent use during the long dry periods which prevailed during the early part of the season.

ANIMAL INDUSTRY

It is difficult to assess accurately the livestock population of the Colony. Cattle and buffalo are for the most part distributed amongst the farmers of the New Territories and are used as working animals. They are Chinese Brown Cattle and Indian Buffalo. From inoculation figures they number approximately 10,000. In addition there are about 2,800 dairy cattle of exotic breeds which supply fresh milk, pigs of the native Chinese type together with introduced exotic breeds and, as a result of crossing, a large number of hybrids mostly tending towards the exotic type. The pigs are divided amongst the peasant farmers where small numbers are kept by the families in conjunction with their main occupation of rice growing. Larger numbers are kept by breeders and co-operative pig raising societies. During 1955/56 approximately 120,000 pigs of local origin passed through the New Territories and urban area slaughterhouses. Poultry for the main part consists of the local Cantonese chicken which is reared primarily as a table bird. These birds are to be found amongst the peasant farmers and specialized poultry farms. Most of the chickens hatched in the Colony are from eggs imported from the Mainland. From hatchery figures, approximately 4.5 million such chickens were hatched and raised in the Colony last year. Birds are sold at about 16-20 weeks of age and most farmers aim to catch the better prices of the main Chinese festivals. In addition, there are approximately 30,000 birds of exotic breeds, mostly White Leghorns, kept for table egg production. Large numbers of ducks are raised in the Colony, the numbers probably being in excess of 200,000.

IMPORT OF LIVESTOCK

Theoretically, owing to the large urban population, there should be a ready market for locally produced livestock at prices favourable to the local farmer. However this is not necessarily the case owing to the proximity of exporting countries which are able to produce livestock at very competitive prices. Hongkong does not produce sufficient animal feeding stuffs for its own requirements but is dependent on imports from other countries and prices for feeding stuffs are relatively high. 90% of the Colony's requirements of slaughter stock has its origin in other countries mainly China, Thailand and Taiwan; imports during 1955/56 were:

From	Cattle & Buffaloes	Pigs	Goats
China	75,001	630,965	10,977
Thailand	13,648	3,582	—
Taiwan	—	11,840	—
Total	88,649	646,387	10,977

ANIMAL HUSBANDRY

Cattle and Buffalo: The cattle are relatively small, seldom weighing more than five piculs live weight. The

introduction of foreign breeds and crossing them with local animals to increase their size has been considered but the wisdom of this is debatable. It is not certain that the farmer wants a large animal to look after. Grazing is plentiful during the summer but in winter it is usually scarce and even cattle of the present size show a marked decline in condition. The average paddy field is relatively small and it is felt that the present animal can cope with the work it is required to do. Good large oxen can be obtained from the present animals by castration, this operation is often ignored by farmers and heifers are often bred at too young an age.

Pigs: Pig husbandry and improvement presents a difficult problem. On the one hand the Chinese pig is prolific, has resistance to diseases associated with local husbandry, does well on the cheaper feed usually fed, but on the debit side takes a relatively longer time to mature. The exotic pig on the other hand is quicker maturing but must be very carefully looked after and demands conditions that normally do not exist in the Colony. The ideal solution is the use of the Chinese sow with the exotic boar. However, the farmer does not usually stop at this cross and does not breed his own native sow replacements, but mates his first cross sows back to the exotic boar and so on. The result is a diminution of the quality of the resultant animal and it is a fact that good quality native sows are scarce in the Colony. Evidence seems to point to the native sow having an inherited immunity to brucellosis. These animals test positive to brucellosis but rarely abort. Immunity, however, would appear to be lost on the first crossing.

The problem of feeding is also of primary importance. Hongkong is forced to import a great deal of its animal feeding stuffs and the price is consequently high. For the pig farmer who relies solely on pigs for his living and is faced with keen competition from China, a livelihood from pigs is often very precarious. The price of foodstuffs in addition is usually outside the means of the small village farmer. He relies on cheaper materials and the pig foraging for itself. The result is that the pig takes a longer time to reach market weight, and in the case of exotic pigs an inferior quality animal is produced. Of recent years, a good deal of village husbandry has been replaced by the housing of pigs in separate concrete sties. This in many ways is a mistake. In village husbandry the pig is part of the village and is able to add substantially to its diet by foraging. Where the pigs, however, are confined to sties, they lose by not foraging, deficiency diseases set in and in no time the sties become a morass of filth. Until the farmers learn how to keep pigs in concrete sties it is wiser to let the pigs roam loose to forage.

Government maintains two herds of pure native pigs at Castle Peak and Saikung in order to produce both gilts and boars for breeding. Demand for gilts exceeds the supply but requests for boars have been few. At Sheung Shui a small herd of Berkshire and Mid White pigs is maintained. These pigs were imported from Japan for

comparative studies of the exotic and local breeds under local conditions of husbandry and feeding.

Poultry: Local Cantonese birds are small, weighing 1½ to 2 catties at 20 weeks, but they are eminently suited to the Chinese table. They are poor egg layers, however, and for this reason supplies of hatching eggs are short during the summer and the price of chicken usually rises. How this position can be overcome is difficult to see, probably the only answer lies in individual selection from very large numbers of birds. Crossing with other breeds has been done but the size of bird produced has been too large for the local market. About 30,000 White Leghorns are kept in the Colony. At the Castle Peak Agricultural Station a progeny test has been instituted in an endeavour to improve the performance of these birds under local conditions.

DISEASE CONTROL

The highlight of the year was the visit of the F.A.O. veterinarian and poultry disease specialist, Dr. J. E. Lancaster, and consequent upon this visit the extended use of both the "F" strain vaccine against Newcastle disease of poultry and the Hudson lapinised swine fever vaccine. Government is considering the establishment of a laboratory for the large scale production of these two vaccines at prices well within reach of all livestock owners. Another feature was the successful establishment of the veterinary laboratory at the main agricultural station at Castle Peak. This now provides diagnostic service to the livestock industry.

HONGKONG AIR TRAFFIC IN JULY

Regions	Passenger (Kilos)	Arrival		
		Freight (Kilos)	Mail (Kilos)	Freight Passenger (Kilos) (Kilos)
Australia	204	4,427	643	1,23 7,246 279
Thailand	1,872	18,224	573	1,306 9,966 2,623
Borneo	100	3,231	163	98 85 11
Burma	191	8,610	341	199 385 395
Cambodia	196	3,601	254	182 144 322
Canada	170	1,486	596	70 384 366
Europe	142	9,121	1,555	171 5,782 2,543
Formosa	664	58,922	1,348	1,078 4,918 1,518
Guam	3	3,442	31	2 149 30
Honolulu	135	172	106	77 282 106
India	217	7,192	431	305 8,065 543
Indonesia	—	—	—	—
Japan	1,684	5,413	2,390	2,151 12,658 10,126
Lao	141	25,719	69	88 20,646 105
Macau	1	4,949	—	—
Malaya	—	—	286	—
Middle East	83	984	438	60 102 187
New Zealand	—	—	156	—
Okinawa	107	6,624	75	93 602 28
Pakistan	65	1,633	484	43 229 238
Philippines	1,820	11,834	734	1,876 4,226 1,148
Singapore	689	9,234	1,306	619 2,905 3,463
South America	54	1,955	24	12 33 —
South Korea	203	4,961	534	240 174 —
United Kingdom	285	13,994	2,633	275 11,725 4,699
United States	237	4,850	3,675	91 3,407 2,868
Vietnam	388	7,928	364	280 2,465 508
Wake Island	—	—	22	— 32 —
Ceylon	—	—	—	147 —
Africa	—	—	—	872 —
Total	9,651	218,528	20,763	9,439 96,610 32,724
Direct Transit	1,000	26,737	—	1,000 26,737 —
Total Aircraft	Departures = 359.			
Total Aircraft	Arrivals = 357.			
Total	491	1,159,905	473	1,123,108 259,377 114,615

FINANCE & COMMERCE

FROM THE NEW YORK STOCK EXCHANGE

By E. Kann

During the past four weeks there was a noteworthy recession in shares on the New York Stock Exchange, due to many factors, notably: the Syrian situation, the cancellation by the American Government of extensive orders for airplanes, the high discount rate (and consequent tightness of money), the stagnation in the building trade and the serious decline in the price of copper, zinc and lead. The extent of the recession, as measured in percentages, was a decline from the high of the year of industrial stocks to the extent of 10%, while stocks in Canada fell by even 14%.

Nevertheless, business is holding at relatively high levels, though the mercantile position is intensely competitive. The gist of opinions expressed culminates in the belief that matters will improve during the fourth quarter of the current year. Much will depend upon the aggressiveness of purchases by the public of the new 1958 model motor cars.

Food Stocks. The following discussion deals with an analysis of food stocks. Needless to say, it is virtually impossible to deal globally with the subject, for there are too many concerns involved. Therefore only some selected companies are presented here. Two categories are eliminated, namely bread bakers and meat packers, because both these groups are not prosperous at this time and cannot now be recommended for investment. While most of the food processors do not display rapid upward movements, such stocks are characterized by stability in market quotations, combined with regular dividend payments. The significance of food concerns will be understood, when it is stated that the food industry in America enjoys annual sales of about 65 billion dollars. The following are particulars relative to certain branches of the food industry in U.S.A.:

Dairy Products: While a substantial part of the volume of dairy companies consists of fluid milk with slight profit margins, the main part of earnings is derived from butter, cheese, evaporated milk and ice cream. 1956 turnover exceeded that of 1955 by 7%, while earnings were up about 9%. The principal companies in the dairy industry are Borden Co., National Dairy, Beatrice Foods, Pet Milk, Carnation Co. and Foremost Dairies.

Milling Companies: These rest on solid ground. Both Kellogg and Quaker Oats are doing extremely well, with

Quaker showing a tendency to diversify. General Mills is the nation's largest producer of flour, followed by Pillsbury Mills. Allied Mills and Ralston Purina specialize in livestock and poultry feeds. They all are very favorably considered.

Biscuit Baking: The firms in this line have a record of stability and a good dividend record; however, they are not scheduled for aggressive advances. Furthermore, they possess distinct defensive characteristics. While the population increase vouchsafes enhanced turnover, it must be borne in mind that labor costs are constantly on a rise. The principal biscuit bakers are National Biscuit, Sunshine Biscuit, United Biscuit, all three showing much enhanced sales during the past ten years.

Canning: Speaking generally, the food canners are subjected to wider swings in operating results than most other divisions of the food industry. Crop conditions and farm prices are important determinants. Under this group fall vegetables, fruits, fish and meats. Wellknown firms in the canning line are Campbell Soups, Heinz, General Foods, Libby, McNeill & Libby, Standard Brands, Stoekey van Camp, etc. Aside from canned food products there is in America a growing industry in frozen foods, mainly vegetables and citrus juices. However, this line has during recent years not proved profitable.

Convenience foods: Beside the foregoing, there is a long chain of other food processing, as sugar, candies, bananas, soluble coffee, cake mixes, chocolate manufacturers, (Hershey), soft drinks (cocoa cola, Pepsi cola, Canada dry, 7-up); also chewing gum (American Chicle, Wrigley), margarine, mayonnaise, peanut butter, jello, yeast.

Amongst American Sugar producers or refiners are: American Crystal Sugar, American Sugar Refining, National Sugar Refining, Great Western Sugar and Holly Sugar. Besides, there are a number of important sugar producers domiciled in Cuba, Puerto Rico, etc., but financed and owned entirely by American capital, notably: Central Aguirre Sugar, Cuban American Sugar, Cuban Atlantic Sugar, South Puerto Rico Sugar and West Indies Sugar Co.

The following statistical table (compiled by J. M. de Sieyes of Hemphill Noyes & Co.) ought to be of practical interest to investors.

	Earnings per share	1954	1955	1956	1957E	Ind. Div.	Recent Price	Price/1957E	Approx. Yield
Beatrice Foods*	\$2.85	\$3.01	\$3.43	\$3.50	\$1.80	34	9.7	5.3%	
Best Foods	3.29	3.28	4.53	4.12A	3.00	46	11.2	6.5	
Borden	4.82	4.61	5.01	5.25	2.80	60	11.4	4.7	
Campbell Soup***	2.36	2.73	2.74	2.80	1.50	33	11.8	4.5	
Carnation Co.	3.84	3.87	4.28	4.50	1.25‡	33	7.3	3.8	
Corn Prod. Ref.	1.80	2.29	2.36	2.75	1.50	30	10.9	5.0	
Cream of Wheat	2.08	1.88	2.03	2.20	1.85	28	12.7	6.6	
General Foods****	2.65	3.31	3.61	3.75	2.00	49	13.1	4.1	
General Millst	4.50	5.02	5.68	4.88A	3.00	59	12.1	5.1	
Heinz (H. J.)†††	3.12	5.02	6.09	6.12A	2.20	49	8.1	4.5	
National Biscuit	2.85	2.58	2.90	3.20	2.00	39	12.2	5.1	
National Dairy	2.77	2.98	3.02	3.10	1.80	38	11.9	5.0	
Penick & Ford	2.24	2.71	2.64	2.90	1.70	26	9.0	6.5	
Pillsbury Millst	4.93	5.37	4.42	4.04A	2.50	43	10.6	5.8	
Quaker Oats**	2.39	2.69	3.13	3.40	1.85	34	10.0	5.3	
Standard Brands	3.02	3.01	3.48	3.90	2.25	61	10.5	5.5	
Sunshine Biscuit	5.88	5.94	6.20	6.40	4.00	71	11.1	5.6	
United Fruit	3.59	3.82	3.45	3.80	3.00	44	12.2	6.8	

A—Actual

*—Years end February

**—Years end June

***—Years end July

****—Years end March

†—Plus stock

‡—Years end May

††—Years end April

HK EXCHANGE MARKETS

	U.S.\$			
	T.T. High	T.T. Low	Notes High	Notes Low
Sept.				
23	\$595	593½	593½	591½
24	594½	592	593½	591½
25	592½	591	591½	590½
26	594	592½	593½	591½
27	595½	594½	594½	593½
28	596	595½	595½	594½
D.D. rates:	High 594½	Low 589½		

Trading totals: T.T. US\$3,630,000; Notes cash US\$480,000, forward US\$2,900,000; D.D. US\$350,000. The market was quiet and seemed to have found its lowest and settled at about this level. In the T.T. sector, gold importers were good buyers; offers came from Korea, Japan, and the Philippines. In the Notes market, speculative activity was on the decrease. Interest for change over favoured sellers and aggregated \$8.75 per US\$1,000. Speculative positions taken averaged US\$2 million per day. In the D.D. sector, market was quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit

in HK\$: Philippines 1.76—1.7525, Japan 0.01405—0.013975, Malaya 1.873, Vietnam 0.06896—0.06756, Laos 0.072, Cambodia 0.072, Thailand 0.2832—0.2785. Sales: Pesos 330,000, Yen 55 million, Malayan \$360,000, Piastre 8 million, Kip 5 million, Rial 5 million, and Baht 3 million.

Chinese Exchange: People's Yuan notes quoted at \$1.43—1.36 per Yuan. Taiwan Dollar notes quoted at HK\$0.16—0.159 per Dollar, and remittances at 0.154—0.153.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.76—15.70, Scotland and Ireland 14.00, Australia 12.34—12.32, New Zealand 14.20, Egypt 11.05—10.05, East Africa 14.65—14.60, South Africa 15.60—15.50, West Africa 13.50, Jamaica 14.00, Fiji 10.00, Malta 12.00, India 1.1765—1.176, Pakistan 0.80, Ceylon 0.995, Burma 0.52, Malaya 1.835—1.827, Canada 6.105—6.075, Cuba 5.50, Argentina 0.135, Brazil 0.075, Philippines 1.76—1.745, Switzerland 1.37—1.35, West Germany 1.385—1.37, Italy 0.0093—0.0091, Belgium 0.112, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.54, France 0.0128—0.0127, Vietnam 0.0705—0.0695, Laos 0.072, Cambodia 0.075—0.072, North Borneo 1.60, Indonesia 0.13—0.128, Thailand 0.272—0.267, Macau 1.035—1.03, Japan 0.015—0.014725.

Gold Market

Sept.	High .945	Low .945	Macau .99
23	\$260½	259½	
24	260	258½	
25	259½	258½	
26	260½	258½	Low 268½
27	260½	259½	
28	260½	259½	270½ High

The opening and closing prices were 259½ and 260½, and the highest and lowest 260½ and 258½. The market was quiet and rates were little changed. Interest favoured sellers and aggregated \$2.22 per 10 taels of .945 fine. Tradings averaged 6,400 taels per day and totalled 38,400 taels for the week, in which 16,720 taels were actual cash dealings (2,120 taels listed officially and 14,600 taels privately arranged). Positions taken by speculators averaged 14,200 taels per day. Imports were all from Macau and totalled 9,500 taels. Exports totalled 10,500 taels (6,500 to Singapore, 3,000 to Indonesia, and 1,000 to Rangoon). Differences paid for local and Macau .99 fine were \$12.70 and 11.70 respectively per tael of .945 fine. Cross rates worked were US\$37.79—37.77 per fine ounce, and 32,000 fine ounces were contracted at 37.78 C.I.F. Macau. US double eagle old and new coins quoted at \$271—270 and 228—227 respectively per coin, English Sovereigns \$57 per coin, and Mexican gold coins \$277—276 per coin.

Silver Market: 1,000 taels of bar silver traded at \$5.90—5.80 per tael; 1,000 dollar coins at \$3.73—3.70 per

coin; and twenty-cent silver coins quoted nominally at \$2.90—2.85 per five coins.

Money Market: Exchange Banks' Association decided to raise interest rates following the action taken by the Bank of England. The raise was about one per cent. Charges for Letters of Credit are now at 7 to 7½% p.a., for overdrafts 6½ to 7% p.a., for loans against shares 7 to 8% p.a., and for mortgages against real estate 8 to 12% p.a. There was no raise on current deposits, which is unchanged at 1% p.a., but for savings accounts the interest allowed was raised from 2% to 2½% p.a. Chinese Banks and native banks made no change on their charges, which remained at 8 to 12% p.a. on short term credits and 10 to 15% p.a. on mortgages. The trend of the market was quiet and unchanged.

Free Market Transactions: Business is still expanding with more interest being shown in the local facilities of worldwide remittances by overseas-financial centres. Hongkong's free exchange market has attracted many operators from foreign countries who have found every reason to be satisfied with the bankers and financiers established here. Japanese transfers have become more important as complicated transactions between Japanese traders and their counterparts in Southeast Asia have grown. The gold bullion market with routine shipments to many ports in East Asia has also increasingly induced gold traders to focus attention on this Colony. People's and Nationalist China are regularly, through their direct or indirect connections, availing themselves of the local markets. From Peking's point of view the maintenance of Hongkong as it is today appears most useful. It cannot be openly stated so in China as the very principle of a free market is theoretically odious to a communist state but the fact remains that Peking benefits very considerably from the facilities provided by Hongkong.

The US\$ market is ever on the increase in scope and amounts being transacted. Last week's spot and forward sales totaled US\$7.4 million. Prices are established in sympathy with New York but often local or rather regional conditions depress the rate which only after arbitrage has played its role moves into line with transferable sterling rates in world centres. With more competition and growingly international outlook here almost all currencies of countries the world over are being traded or at least quoted here. Several Chinese banks, erstwhile known as 'native banks', have remarkably increased their international connections and are today able of serving the needs of a global free market and also those markets where controls of some sort prevail.

Resources of financial operators are ample and credit is easily arranged although recent interest rates have had

a somewhat restraining influence. In free market operations which are almost always on a spot basis—with the exception of speculative and fictitious forward business—the matter of interest charges rarely arises. Possibilities of Hongkong/Far Eastern and Hongkong/Europe free exchange transactions offer many opportunities and enterprising Chinese bankers as well as European financiers are exploring them, ever on the look-out for better international service and additional profits.

HK SHARE MARKET

The market was sluggish on Monday (turnover amounted to \$136,000) because investors were not sure of the amount of increase in bank rate. Trading volume jumped to \$900,000 on Tuesday after leading banks here announced the increase of 1%/ $1\frac{1}{2}$ % in interest rates which was less than speculators had anticipated. Turnover during the rest of the week re-

mained satisfactory: Wednesday \$379,000, Thursday \$685,000 and Friday \$923,000.

Closing quotations were better but many prices were still lower than before the bank-rate increase. Dairy Farms registered a delayed advance of 50c; this year's interim dividend announced during previous week was better than that for last year. Cements continued to dip but not as sharp as during previous weeks. Banks lost \$15 on Tuesday but recovered slightly towards weekend. Wharyes were quiet; selling offers fluctuated between \$120 and \$122 but there was no buyer. Investments and Cottons were steady but no business reported.

The Secretaries for Yangtsze Finance announced that at the close of business on Thursday, the shares had a statistical value of \$8.55.

Dividends—Wheclock Marden: final dividend of 37½ cents per share for the year ended March 1957. Eastern Asia: a dividend of 10 cents per share for the year ended March 1957.

main portion of reported business in United Kingdom registered rubbers was sales to London.

The loan market had little business save in purchases of Overseas loans giving redemption yields close on 6%. Local war loans continued in demand. The Federation Government \$160 million 5¼% Merdeka Loan has been over-subscribed. In fact a 2% cut will be made on all applications exceeding \$100,000. Employees' Provident Fund and Co-operative Societies provided the major support for the loan; response from the small investor was very small.

During the week ended September 20th news of the 2% rise to 7% of the Bank Rate in Britain caused the drift to degenerate into a slide. Operating on bank overdraft is a common practice in Malaya, and although overdraft interest charges vary, the minimum charge of late has been 6½%. Anticipation of a rise in the local rate caused a spate of selling.

Most Singapore Industrials were marked down to levels considerably lower than prices of business done during the week. Straits Traders had sellers at \$2.30, Wearne Bros. at \$3.32½, Fraser & Neave \$2.77½ cum, Malayan Collieries \$1.04 and Robinsons \$1.97½ ex.

Most dollar tins were marked down but few transactions were reported at lower levels. Petalings had exchanges at \$3.20, Hong Fatt at \$1 and Sungai Way at \$1.70.

Popular local registered Sterling Tins did not suffer any substantial falls. Berjuntai at 18/3 lost 3rd, Austral Amalgamated at 15/6 were down 6d, Kuala Kampar were 6d off at 44/6 and Lower Perak at 18/- buyers were also down 6d. Least affected were London registered Tins, mostly because counters in this section had been falling over the past two weeks.

Practically all local rubber counters were marked down and very little business eventuated. In contrast London rubbers remained steady.

British 3½% War Loan at £61½ showed a fall of over £4 to yield around 5.7%. There was no marking down in the local loan section. Yields were around 5.3%; some downward price movement may be expected.

Share	Sept. 20	Last Week's Rate				Up & Down	Dividend	Estimated Annual Yield (%)
		Highest	Lowest	Closing				
HK Bank	865 s	860	850	855	-\$10	\$50	5.85	
Union Ins.	90	90	89.50 b	90	steady	\$3.40	3.78	
Lombard	34.75 n	—	—	34.75 n	steady	\$2	5.76	
Wheclock	7.65	7.75	7.65	7.75	+10c	75c	9.68	
HK Wharf	122 s	122 n	120 s	120 s	-\$2	\$6	5.00	
HK Dock	50.50	53	52	53	+\$1.50	\$2	3.77	
Provident	11.80	11.80	11.40 b	11.80	steady	\$1	8.47	
HK Land	34	34.25	33.75	34.25	+25c	\$3.50	10.22	
Realty	1.35 n	1.40 b	1.35 n	1.40 b	+5c	15c	10.71	
Hotel	15 s	15	14.60	15	steady	\$1	6.67	
Trams	23	23.20	23	23.20	+20c	\$1.70	7.33	
Star Ferry	131 n	133 s	131 n	133 s	steady	\$9	6.77	
Yaumati	102	102	102	102	firm	\$7.50	7.35	
Light	18.60 s	18.90	18.30	18.90	+30c	\$1.10	5.82	
Electric	28	28.10	27.50	28.10	+10c	\$1.80	6.41	
Telephone	27.30	27.50	26.80	27.50	+20c	\$1.50	5.45	
Cement	28.70 n	28.50	28.20	28.20	-50c	\$4	14.23	
Dairy Farm	15.50	16	15.50	16	+50c	\$1.63	10.19	
Watson	12.30	12.40	12.30	12.40 b	+10c	\$1	8.06	
Yangtze	6.45 n	—	—	6.45 n	steady	70c	10.85	
Allied Inv.	4.20 n	—	—	4.20 n	steady	25c	5.95	
HK & FE Inv.	9.60 b	—	—	9.80 b	steady	80c	8.16	
Amal. Rubber	1.325	1.55	1.50	1.55	+2½c	28c	18.05	
Textile	4.50 s	—	—	4.45 n	steady	50c	11.24	
Nanyang	9.80 n	9.90 s	9.75 s	9.75 s	-5c	\$1	10.26	

SINGAPORE SHARES

Among industrials, Malayan Collieries suddenly came into the lime-light and moved up to \$1.08 during the week ended Sept. 13. Robinsons after touching \$2.07½ recovered to \$2.20 cum 14%. Hammers were on offer at \$2.47½ cum the 10% interim, and Metal Box at \$2.12½. William Jacks was firm with buyers at \$2.42. The Fraser and Neave announcement of 9% final and bonus of 10% to make a total of 27% for the year, or 2% more than previous, resulted in a falling off in price to \$2.87½ cum, as speculators had anticipated a capital return.

Of dollar tins, Petaling continued in demand and Lingui had considerable

speculative buying up to \$1.45. Raftau Tin fell off to \$2.20 ex the 40% final.

Despite good dividend announcements, Sterling tins showed little sign of revival. Here interest should increase. The 1957 Finance Act exempts companies of this type from profits tax after April 5th, 1957, and from United Kingdom income tax from 1957/58 onwards. From a shareholder's point of view it means tax will be reduced from approximately 62½% to 30% the 30% being the present tax payable in Malaya. Thus, this type of company should find itself in the position of being able to increase distributions by anything up to 50%.

The fall in local rubber shares was mainly due to lack of buyers. The

TRADE REPORTS

Arrival and departure of ships were upset by Typhoon Gloria on 22nd and 23rd. On Tuesday, however, loading and discharging of cargo in the harbour returned to normal. The 1%-1½% increase in interest rates (inward bills to 7½%, outward bills to 7%, overdrafts to 6½%-7%) by leading banks here following the rise of UK bank rate had no adverse effect on HK entrepot trade.

In the local commodity market, trading in paper was active with very strong demand from Korea, SE Asia and China remained keen in metals but business was slow because dealers wanted higher prices while buyers reluctant to increase counteroffers. Pharmaceuticals and industrial chemicals attracted more enquiries than orders from Korea, Taiwan and SE Asia; many transactions fell through because stock inadequate. Demand from Japan and Europe for produce covered only a few items; orders were mostly concluded for forwards. Cement recovered from recent decline but prices for rice, sugar and wheat flour remained weak under heavy supply. HK manufactured cotton yarn and cloth retained steady overseas demand but spot market was quiet.

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Expansion of China Trade—Mr. F. J. Erroll, a British Government Minister, is now on his way to Peking; he will spend one month in China to promote UK/China trade. According to Mr. Erroll, China will send an economic delegation to London in mid-October. At present there are four trade delegations (German, Japanese, French and Moroccan) in China. Tunisia, Italy and Switzerland have trade representatives in Peking. The West German delegation last week signed an agreement with Peking covering trade amounting to 230 million Marks each way for the next 12 months. The list of goods was not specified in detail. Payment in L/Cs will be made primarily in Deutsche Marks.

Meanwhile in Berlin, East German Communists signed a protocol with Peking representatives covering shipments of complete power stations and factories for cement and other light industries to China.

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HK/China Trade—China's purchase of metals from the local market slowed down because prices here firmed. There were also orders from Canton, Shanghai and other cities for fertilizers, pharmaceuticals, chemicals, dyestuffs but transactions were mostly concluded with manufacturers' agents in HK; with the exception of fertilizers (orders amounted to 2,000 tons recently), procurements were limited to small quantities. Import of foodstuffs from Canton and other South China ports remained heavy. Cement consignments to the local market active but supply not as abundant as during the past few months.

HK/Japan Trade—Local dealers booked more cotton textiles and paper from Japan in view of the improved demand from SE Asia. Bean oil, toys, woollen and synthetic-fibre textiles constituted the major portion of 2,500 tons of imports from Japan last week; import of cement curtailed. Exports totalled only 1,000 tons; principal items were bone meal, rattan, cotton and scrap iron. From here, Japan bought some oilseeds and other produce but

volume of these transactions limited by supply difficulty. Orders for scrap iron covered only a few hundred tons.

HK/UK & HK/Europe Trade—Last week, a French firm here introduced "Vedette" cars to HK. The Vedette has four models—Trianon, Versailles, Regence, Marly—and are priced at \$16,840, \$17,520, \$19,220 and \$21,430 respectively. All models use L-Head V8 engines with a brake horsepower of 80 at 4,400 rpm. They are designed and backed by Ford and produced under license by the wellknown French auto maker—Simca.

Cargo movements between HK and Europe (including UK) remained active. Import of woollen textiles and yarn, dairy products, metals, paper, wines and provisions totalled 2,000 tons from each source. Export to UK totalled 5,000 tons and to Europe, 2,000 tons; HK manufactured gloves, garments, knitwear, cotton textiles, plastics, rubber shoes, torch and rattanware constituted the major portion of the tonnage.

HK/US Trade—Cotton mills here booked more raw cotton from US; exchange rates for US dollars in the local money market dipped to 1957 record lows during the past two weeks. Exports to US amounted to 3,000 tons last week; principal items were fire-crackers, shirts, torch, cotton textiles, toys and rattanware.

HK/Malaya Trade—Shipments of foodstuffs and HK manufactures to Singapore and other Malayan ports remained active but orders from these markets last week covered only small lots of groundnut oil, bean oil and foodstuffs. Reports from Singapore indicated that Indonesia bought very little supply from there recently.

HK/Thailand Trade—Demand from Bangkok for metals, paper and pharmaceuticals remained steady but purchases were either restricted by stock shortage or handicapped by low buying offers. There were also orders for HK manufactured winter underwear and other knitwear but quantities involved were not as substantial as at this time last year; Bangkok merchants are buying these items from China.

HK/Indonesia Trade—Over 2,000 tons of sugar arrived from Indonesia last week. Exports (cotton textiles, metalware, etc.) totalled only about 300 tons. There were orders from Djakarta for metals, paper and cotton cloth but quantities small and interest centred on a few items only.

HK/Philippines Trade—HK factories are planning to send over \$3 million worth of products (hurricane lantern, vacuum flask, paint, enamelware, etc.) to the Philippines for exhibition at the coming International Trade Fair over there. Trade between HK and Philippines at present is not very active; orders from Manila covered only limited quantities of HK goods.

HK/Korea Trade—In addition to paper, Korea bought small lots of

metals, pharmaceuticals, industrial chemicals, rayon yarn, lard, woollen yarn and condensed milk from here. Many orders fell through either on account of short stock here or because of low counteroffers from Seoul.

HK Cambodia Trade—Phnompenh resumed shipments of rice to HK. Last week's imports also included live hogs, maize, silk wadding and beans. Export to Cambodia consisted chiefly of HK manufactured round bars, metalware, torch batteries, glassware and paint. Orders from Laos covered structural steels, cotton yarn and cloth, paint and metalware; quantities involved however were not very impressive. **South Vietnam** bought very little supply from here; reports from Saigon disclosed that commodity prices there were much lower than in HK market making imports from here unprofitable. **North Vietnam** continued to send small consignments of taro chips, medicinal herbs, ginger, feather, coal and sundry provisions and from here procured some gunny bags and foodstuffs.

HK/Burma Trade—About 2,500 tons of sugar, groundnut oil, enamelware and foodstuffs were shipped to Burma last week. From here, Rangoon continued to buy foodstuffs, groundnut oil, menthol crystal, corrugated iron sheet, used newspaper and HK products (chiefly metalware).

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China Produce—Demand from Japan, Europe and other buyers remained selective and covered chiefly items which were short stocked; most transactions therefore concluded in forwards. Popular items included cassia, sesame, aniseed star, aniseed oil, wood-oil, feather, bamboo cane, tea, menthol crystal and camphor products. Groundnut oil retained strong demand from Burma; dwindled stock pushed prices up. Bean oil also favoured by Burma; price did not advance because imports from Japan heavy last week.

Metals—Prices firmed on account of increased indents, lower stocks and steady demand from China and SE Asia. Round bars of HK origin attracted orders from Laos, North Borneo, Cambodia, Thailand; local iron works were able to offer competitive prices because cost of scrap iron during the past two months had been very low. Trading volume last week however was low because buyers were reluctant to increase their counteroffers. Interest was centred on structural steels, steel wire rope, iron pipes, galvanized iron wire, mild steel plate, corrugated iron sheet and zinc sheet. Japan returned to the local market for scrap iron but quantities purchased still very small.

Paper—Korea remained the number one customer for newsprint, sulphite, tissue, cellophane and duplex board. Dealers here could not fully exploit the situation because stock of European paper short while buying offers mostly lower than new indents. Demand from

SE Asia weaker after heavy purchases from here during the first half of this month. Many dealers booked bond, poster, cellophane from Japan and duplex board, woodfree, glassine, tissue from Europe to replenish stocks.

Pharmaceuticals—Fine chemicals such as sulfonamides, aspirin and vitamin C powder retained strong demand from Korea but short stock restricted the volume of business. Dealers here are reluctant to book heavy replenishments because indents higher than market here while demand from Korea and other sources remain uncertain. The market also registered orders from Thailand for penicillin tablets and aspirin; from Taiwan for gum acacia, amidopyrin and lysol; from local pharmaceutical manufacturers for sodium benzoate, vitamin B1 powder and aspirin.

Industrial Chemicals—Sodium bicarbonate, acetic acid, tanning extract, formalin, zinc chloride, lithopone, ammonium chloride and ammonium bicarbonate retained demand from Korea and Taiwan but most transactions fell through because stock here inadequate. Local industries continued to absorb small lots of sodium hydrosulphite, sodium sulphide, acetic acid, oxalic acid, sulphur powder, petrolatum, shellac and calcium carbide; prices steady.

Cotton Yarn—UK, Laos, local weavers booked more forward of HK cotton yarn. Spot market was quiet. Japanese brands firmed on advanced cost. Pakistan yarn registered no gain although cost was marked up. Korean products were steady on low supply but Indian brands sluggish.

Cotton Piecegoods—In the spot market, Laos and Indonesia bought small lots of Japanese grey sheeting while Africa absorbed some HK drill. Chinese products quiet. Indonesia and Laos also booked forward supply of HK grey sheeting but quantities involved insignificant.

Rice—Imports from Thailand remained heavy. In addition, Cambodia shipped here several hundred tons of rice. Trading slow, prices remained at a low level.

Wheat Flour—Australia shipped here more wheat flour. Supply exceeded demand, prices therefore weak: American brands, \$12.40 to \$16.80; Australian brands, \$13.50; Canadian brands, \$17; HK brands, \$11.80 to \$15.40; all per bag of 50 pounds.

Sugar—Indonesia shipped here 2,500 tons of brown sugar while export remained quiet. Prices further declined under heavy stock.

Cement—Japanese brands steady at \$115 per ton overside and Chinese products at \$105. Imports from both sources slower last week while trading in local market handicapped by bad weather. In spite of Canton's efforts to undersell Japanese products in HK and in SE Asia, quotations for Japanese

brands remained much higher than Chinese cement.

During the first 6 months this year HK bought more from Japan than from China: imports from China totalled 1,200,000 cwt (total value \$7 m) and from Japan, 1,600,000 cwt (\$10 m). In export, HK products enjoyed better demand from SE Asia. During the same period, reexports of foreign products (chiefly Japanese brands) totalled 410,000 cwt (\$2.1 m) while exports of

HK Green Island cement totalled 525,000 cwt (\$3.6 m); HK cement went mostly to North Borneo (\$1.6 m). Compared with 1956 record of \$5.8 million (for Jan./June period) exports of HK cement this year are about 40% lower. This was caused chiefly by Malaya's purchase of Chinese cement this year direct from Canton. Last year Malaya bought \$1.5 m worth of cement from here but this year purchases dropped to only \$220,000.

RECTIFICATION OF YOUTH IN CHINA

(Continued from Page 421)

worked for the famous General Tai Li, head of the K.M.T. secret police, as a commissioner with the rank of major-general. Indeed in many major centres those who held good positions under the Nationalists and had been struggling for survival under the Communists joined in the agitation, just as dispossessed landlords and others demanded their property back.

One rather naive despatch circulated by the N.C.N.A. began: "Some professors of Peking and Tsinghua Universities informed your reporter that during the present anti-rightist struggle they deeply felt the need for strengthening the leadership of the Party in higher institutions. They opined that in higher institutions, as in all other departments of the state, there must be either the leadership of the proletariat or the leadership of the bourgeoisie; either the leadership of the CCP or the leadership of the rightists. There was no such thing as the middle of the road." This, of course, was a typical piece of parrotting of word from on high! But at the same time there was a good deal of solid argument in defence of what had been accomplished for the universities under the present regime—in which respect there is no comparison in quantity or in financing, though there may be in the quality of the output. But it is quite obvious that this clamour for the expulsion of the Party Committees from the Universities hurt the Communists a good deal, largely because they knew it was justifiable only in the interests of the regime, and its power. But one of the deans at Tsinghua caustically commented that when he heard talk of the leadership of the Party and the activism of old professors, he involuntarily recalled the state of affairs in the past. He was dean of civil engineering for eight years before the liberation.

Higher institutions in Peking reported "vast gains in the anti-rightist struggle," and indeed the fires of criticism of the regime had completely died out. That is not to say, however, that they are any the happier, or that they think very much differently from their thinking before. But the counter-offensive lacked nothing in drive and determination or in volume. Meetings in the People's University alone totalled over 1,000 separate sessions, and in the universities as a whole in Peking as many as 110,000 people had taken part in the argument by the end of July. None of the views expressed by the rightists was left unattacked, even if, as everybody knows, only too many of them were soundly based. The major contention is that the new class struggle was waged at the provocation of the bourgeois rightists under the direction of the Chang-Lo Alliance, so as to "light fires" in the higher institutions as a means of usurping the leadership of the CCP in these institutions and then use these institutions as bases to launch further attacks on the CCP and on Socialism. It was asserted that through some members inside the CCP and the Youth League joined in the attacks, the rest had been steeled by the struggle, while most of the critics were of landlord and

bourgeois families, and nearly half the rightists personally took part in reactionary parties and leagues, intelligence organisations, and reactionary army and policy in the past—reactionary meaning chiefly the Nationalists. The "feudalists" who were officials or officers under the Tuchun system have long since faded from the scene. A very large proportion of them have relatives who had suffered at the hands of the Communists.

It was the Szechwan University Party Committee which came up with the most stirring figures. There were 88 rightists there, of whom 15 were political suspects, former counter-revolutionaries and elements of reactionary cliques. Altogether 24 of them cherished class hatred against the CCP, which had suppressed imprisoned, or kept under surveillance their blood relatives; 41 came of landlord, rich peasant or capitalist families and persisted in the stand of the exploiting class. These three categories "account for 91 per cent out of the aggregate number of rightists." Some entertained mortal hatred of the Party for what the Party had done to their fathers. It was added that statistical data in the eight higher institutions in Chengtu yielded the same result—proving that "the anti-rightist struggle is really and actually an intense class struggle."

Over 40 rightist cliques were "exposed" in Chungking since the counter-offensive began, in which over 16,000 teachers and students took part. One of the major accusations to be combatted was a critics' assertion that the system of the Party Committee leadership is the cultural medium for the three great isms—bureaucratism, sectarianism, and subjectivism." Here again the removal of the Party Committees from the institutions was a major demand. It was added that over 150 people from the higher institutions in Chengtu joined the CCP during the counter-offensive.

In Nankai University (Tientsin), where Chou En-lai spent his youth, altogether "five battlefields" were cleared for action in the struggle against the critics. There the Dean of Economics Li Pao-chen and other noted professors concentrated their criticisms on the members of the Communist Party Committee, and deputy dean, Teng Wei-chao. In the Tientsin University the target was Professor of Mechanics Chao Yun-shan, "who once called up the winds and lighted fire far and wide," and who described the university as "a dungeon without daylight."

Futan University was a rather more difficult proposition, for it was among the most anti-Communist institution of all, and there "reform" seemed to take the shape of doubling the specialisation courses to over forty. Indeed this seemed to be the chief form of settlement in all the higher institutions in Shanghai, where a purge or series of denunciations would almost certainly have made the situation a thousand times worse from the Party's viewpoint, and where it was manifestly a case of discretion being the better part of valour. Shanghai presents a very serious problem indeed to the Communists, just as the Communists once upon a time presented a very serious problem to Shanghai—the birthplace of the Party.